

OVERSEAS NEWS

Moscow defends decision to rule disputed region

By Quentin Peel in Moscow

THE KREMLIN'S decision to impose direct rule on the Nagorno-Karabakh region of Nagorno-Karabakh is an unprovoked step forced by the inability of the Soviet republics of Armenia and Azerbaijan to end a year of ethnic strife, says the man named to run the territory.

will give the region effective self-government for planning, budget, material and technical supplies, and personnel appointments, Mr Volynsky said, thus removing virtually all essential decisions from the Azerbaijan administration.

There is to be no change in the status of the region, whose majority Armenian population has been on strike for most of the last year to demand such a transfer. Even so, many Armenians are convinced that direct rule will lead to the region being taken from Azerbaijan.

Soviet Union makes offer on Barents Sea boundary

By Karen Fosell in Oslo

NORWAY has received an offer from the Soviet Union to alter moderately proposals for the most northern Soviet boundary in a 155,000 sq km strategically vital zone of the Barents Sea.

Moscow has insisted on a line following the meridian due north from the western edge of the Soviet coastline, while the Norwegians back a line equidistant from each country.

The zone has been the site of a boundary dispute between the two countries for 16 years. Moscow's offer signals a more flexible stance by the Soviet Union, which, one year ago, rejected an offer by Norway to administer the disputed zone as a joint area.

Norway has been willing to compromise, but hitherto, Moscow has refused because, it contends, the Norwegian formula would give Norway a disproportionately large share of the Barents Sea.

Greenspan denies big rise in US inflation

By Peter Riddell in Washington

US INFLATION is not at present accelerating significantly, Mr Alan Greenspan, chairman of the Federal Reserve, claimed yesterday.

affairs, where he will be a central policymaker in dealing with co-ordination among the Group of Seven industrialised countries and with debt problems.

"But having said that, it is not all that helpful in determining what policy stance one should take," Mr Greenspan said in a newspaper interview.

There is speculation that Mr Robert Hornum, a banker with long international experience, might join the State Department in Washington.

Mr Greenspan claimed a change had happened since the early 1980s which would keep a lid on prices and wages. Many forecasters had misused elements in the adjustment process such as the increase in imports, and changes in labour attitudes, he claimed.

He expected the Bush administration would cancel the 2 per cent real, inflation-adjusted, increase in defence spending proposed by the outgoing Reagan administration.

Soviet troops 'will quit Afghanistan on schedule'

THE commander of Soviet forces in Afghanistan said in a television interview broadcast yesterday that all his troops would leave the country by mid-February on schedule.

Kabul, that every effort was being made to ensure all Soviet troops would leave by February 15. This seemed to fall short of the general's firm commitment.

Afghan news agency Bakhtar. His remarks were relayed by the Soviet news agency Tass.

Government, with US and other aid, since the Soviet Union's intervention in Afghanistan in late 1979.

delayed because of growing pressure on Mr Najibullah by rebels.

The minister also stressed that the Soviet Union would continue its arms supplies to the Kabul Government even after troops had left.

Neither we nor President Najibullah [of Afghanistan] want the Soviet troops to be delayed," Mr Shevardnadze said in an interview with the

He seemed to be referring to the Mujahedin Afghan rebels who have fought the Kabul

The first half of the estimated 105,000 Soviet troops had withdrawn on schedule at mid-August 1988, but there has been growing speculation that the full withdrawal might be

Belgium halts development plans in retaliation against Zaire

By David Buchan in Brussels

RELATIONS between Belgium and Zaire, its former colony, have taken a further turn for the worse, with Zaire renouncing its aid agreements with Brussels and stopping payments on Belgian loans.

At a weekend press conference that its moves "would not contribute to its international credibility", and that measures such as its debt repayment moratorium and limits on landings in Zaire by Sabena, the Belgian carrier, "will frighten off other partner countries and would be investors".

Subsequently, the Zairean Government requested its nationals to sell their assets and abandon their studies in Belgium.

Call to indict ex-mayor of Palermo

By John Wyles in Rome

SICILIAN magistrates have called for the indictment of Mr Vito Ciancimino, a former Christian Democrat party leader, who, they allege, had an illicit income in the 1970s exceeding L3.5bn (£1.5m) a year.

E Europe discusses ecological time-bomb

By Leslie Collett in Dresden

THE TWO Germans put aside their ideological differences this weekend, as Europeans from East and West looked on with amazement.

Spanish air strike may disrupt flights this week

By Peter Bruce in Madrid

IBERIA, the Spanish national airline, is expected to have to cancel hundreds of domestic and international flights this week, as a rolling strike by its maintenance staff begins to bite.

Stoltenberg rules out early German interest rate rise

By Andrew Fisher in Frankfurt

MR GERHARD Stoltenberg, the West German Finance Minister, has said he sees no cause for a rise in German interest rates at present, either for economic or exchange rate reasons.

Stoltenberg's remarks thus appeared to rule out any possibility of a rise in the 3.5 per cent discount rate on Thursday, when the Bundesbank holds its fortnightly council meeting in Frankfurt.

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Volvo's chief prepares for a challenge without a rush

Robert Taylor finds the most powerful employer in Scandinavia both relying on his home base and ready to adapt

AS HEAD of Volvo, Scandinavia's biggest car company, for the past 17 years, Mr Pehr Gyllenhammar is a businessman with a coherent European strategy for the future. He was well aware of the growing challenge of the European Community to the Nordic area long before the EC's commitment to the creation of an internal market by 1992.

stage that the 1992 commitment would revitalise the EC in a way that its industrial competitors outside could not afford to ignore.

Mr Gyllenhammar argues that the EC's commitment to establish a finance company in the Netherlands must not be interpreted as the first sign of a pan-European programme that would mean the economic disengagement of Volvo from Sweden.

He does not think that Sweden's political neutrality should prove an insurmountable obstacle to a new relationship with the EC, whatever many politicians on the left might suggest.

national sovereignty and that of wider co-operation.

strong. However, in the short term, there is very little we can do about the takeover possibilities.

Mr Gyllenhammar acknowledges that the company is undervalued, but he believes it deserves a much higher price-earnings ratio than that of a pure auto-maker because Volvo is more diverse, with food, financial and stock portfolio operations.

His comments came as the Bush administration, which takes office on Friday, completed key appointments at the Treasury. Mr David Mulford, an assistant secretary since 1984, has been promoted to Under-Secretary (International

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Appointment in AMSTERDAM 4 FLIGHTS PER DAY MON-FRI LONDON CITY AIRPORT

1992 THE EUROPEAN MARKET

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OVERSEAS NEWS

REACTION TO HAY DAVIDSON REPORT

HK may amend securities bill

By John Elliott in Hong Kong

THE Hong Kong Government is considering amending its new Securities and Futures Commission Bill in an attempt to placate international and local brokers who fear the proposed watchdog will slow the colony's securities markets with over-regulation.

The amendment would be included in the introduction to the bill, published yesterday as the Government's main legislative response to the Hay Davidson report on Hong Kong's securities commission after the October 1987 world markets crash.

required to promote the concept of self-regulation by Hong Kong's stock and futures exchanges, enshrining in the legislation a principle which the Government has said it wants to encourage.

China's National People's Congress for a further period of consultation before being published. Drafters have introduced conditions which would make it more difficult for a proposed referendum to be held in the year 2012 about whether Hong Kong should have full electoral suffrage.

Children among dead as Israel takes harder line on uprising

By Andrew Whitley in Jerusalem

THE FULL impact of the Palestinian uprising in the Israeli-occupied territories was finally felt at the weekend in Arab East Jerusalem, annexed by Israel in 1967.

reflecting what appears to be a change of instructions on opening fire. Witnesses to recent confrontations in the West Bank and Gaza Strip say soldiers are opening fire much more readily nowadays, presumably reckoning that the results will not be fatal.

Several of the victims were shot in the head and chest at close range with rubber and plastic-coated steel bullets, reflecting what appears to be a change of instructions on opening fire.

Perez names Venezuela's cabinet

By Joe Mann in Caracas

MR Carlos Andres Perez, Venezuela's president-elect, at the weekend announced the names of key members of the Cabinet who will be installed when he assumes office on February 2.

Development and Ms Fauny Bello, Minister of Agriculture. Ms Izarbe, 49, formerly was president of a commercial bank and currently is Vice Minister of Finance.

cal scene and businessmen who in the past have called for wide-ranging reforms in the Venezuelan government.

Portugal's Socialist Party elects new chief

By Diana Smith in Lisbon

PORTUGAL'S much-delayed constitutional review now enters a more active phase after emergence at the weekend of a new Socialist leader, Mr Jorge Sampaio.

Argentina's ruling party candidate starts tour

By Janette Staubus in Buenos Aires

MR EDUARDO Angeloz, Argentina's governing Radical Party presidential candidate, arrives in Madrid today for the start of a five-nation tour of Europe.

EC ministers in talks on conflict

By Andrew Whitley

MR Francisco Fernandez Ordonez, Spanish Foreign Minister and current president of the European Community's Council of Ministers, held talks with Israeli leaders yesterday.

Office Minister. Mr Waldegrave had talks with Mr Yasir Arafat, leader of the Palestine Liberation Organisation, in Tunis at the weekend.

Israelis should have confidence that there are people on the Palestinian side who can take the same courageous step," he told BBC radio.

Killings report contradicts Government

By Our Caracas Correspondent

A multi-party subcommittee of the Venezuelan Congress released a report at the weekend which suggested that 14 fishermen were massacred by Venezuelan soldiers and security police in a border incident.

obtained ransom. A military judge recently ordered the arrest of the 20 men, including soldiers and security police, who fired on the fishermen.

The incident has caused a political flap for the outgoing government as it has raised questions about the activities of Venezuela's security police.

Uganda presses for Amin's return

By Diana Smith in Kampala

UGANDA is to step up diplomatic pressure for the extradition of Mr Idi Amin, the former dictator, from neighbouring Zaïre, government sources said yesterday.

European Union advocated

By Edward Mortimer

A EUROPEAN Union, based on the present Community but including a common defence and foreign policy, is advocated in a report published today by a group of senior British foreign policy experts.

Shipping report

By Kevin Brown, Transport Correspondent

DEMAND remained high in most shipping areas last week. Rates softened slightly overall, but brokers said there was still no sign that reduced output quotas agreed by the Organisation of Petroleum Exporting Countries had taken effect.

Shipment report

By Kevin Brown, Transport Correspondent

Gulf was for very large crude carriers (VLCCs). Around 15 such fixtures were reported, representing around 8m deadweight tonnes.

World Economic Indicators

Table with columns for country, year, and % change over previous year. Includes US, Germany, Japan, UK, France, Netherlands.

Veil lifted on Managua's parlous finances

By Tim Coome in Managua

FOR the first time since the Sandinistas came to power last-and-a-half years ago, the veil has been lifted on the parlous state of public finances in Nicaragua.

income". Tax evasion by the self-employed and agricultural producers "has become generalised", he said, adding that these sectors will be specially targeted by tax inspectors this year.

some interesting insights into government bungling on economic policy. Sixty per cent of total government income comes from the taxation of petrol, tobacco, alcohol and soft drinks.

agricultural producers if the budget plans are carried through. The calling-in of Cordobas 38bn in loans will hit farmers who are the biggest users of bank credit.

Cold day in Tehran that marked the end of an era

Andrew Whitley and Anthony McDermott look back 10 years to the fall of the Shah

TEN YEARS ago today an era came to an end. The Shah of Iran, Mohammed Reza Pahlavi, accompanied only by Empress Farah and a few retainers, left Tehran for "a holiday abroad".

World Economic Indicators

Table with columns for country, year, and % change over previous year. Includes US, Germany, Japan, UK, France, Netherlands.

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Presentation in PARIS LONDON CITY AIRPORT. 11 FLIGHTS PER DAY MON-FRI. Includes logo and contact info.

THE former Shah Ayatollah Khomeini. Includes photo and text about his return to Iran.

Briefing in BRUSSELS LONDON CITY AIRPORT. 3 FLIGHTS PER DAY MON-FRI. Includes logo and contact info.

Briefing in BRUSSELS LONDON CITY AIRPORT. 3 FLIGHTS PER DAY MON-FRI. Includes logo and contact info.

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OUTSIDE SOUTH AFRICA ARE 24 MILLION OUNCES
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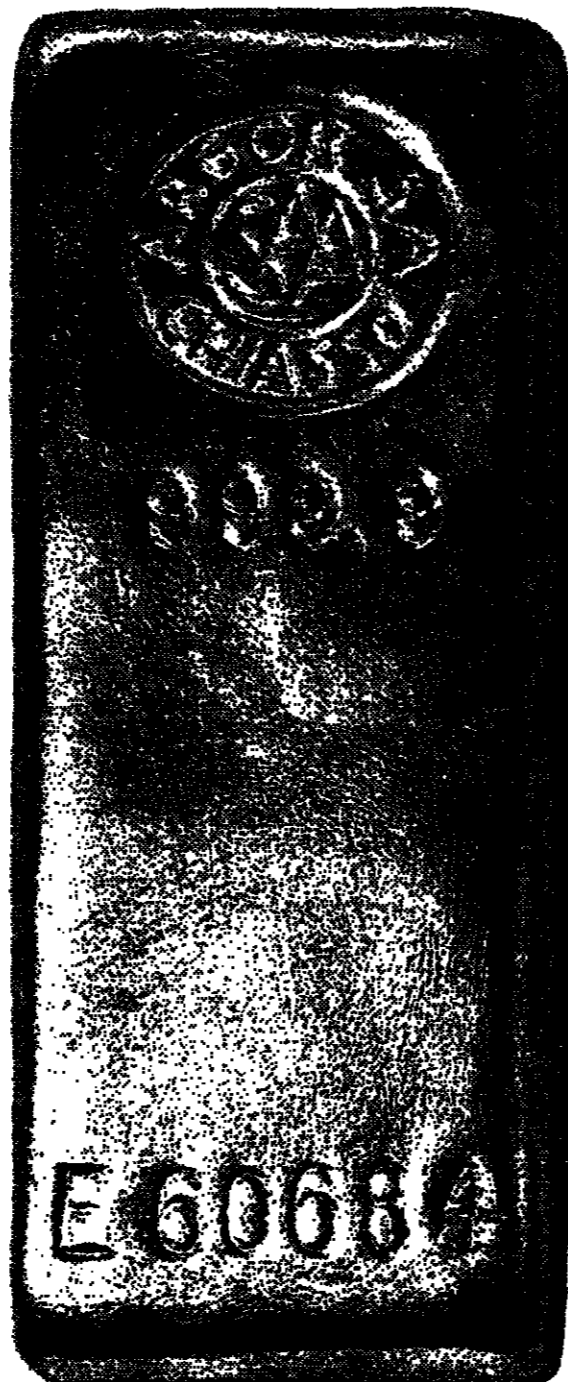
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ONE OF THE WORLD'S LARGEST
GOLD MINES AND BY 1993 OUR
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BY 1991 WE PLAN TO MINE
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OF GOLD A YEAR
WORLDWIDE - 44% MORE
THAN IN 1988.

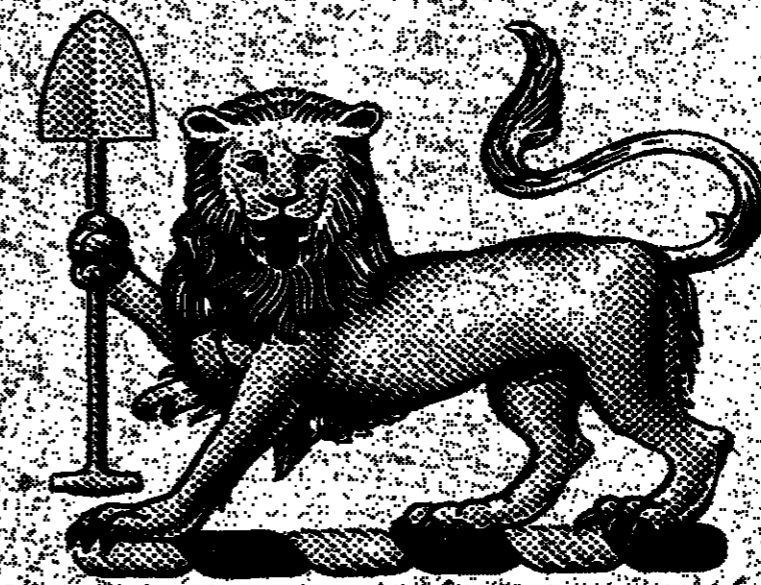
SINCE 1983 WHEN
OUR GOLD RESERVES
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AFRICA WERE
4 MILLION OUNCES,
WE HAVE INVESTED
OVER £200
M IN EXPLORATION
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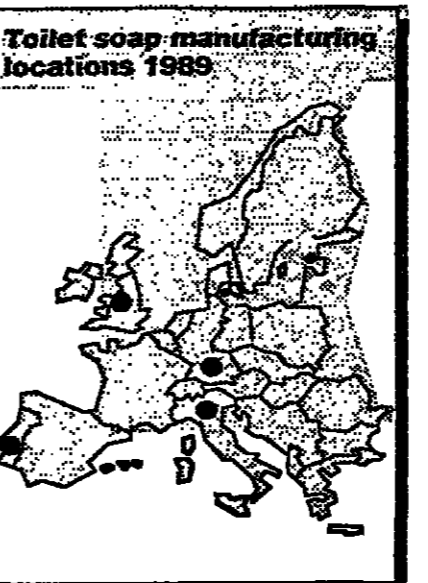
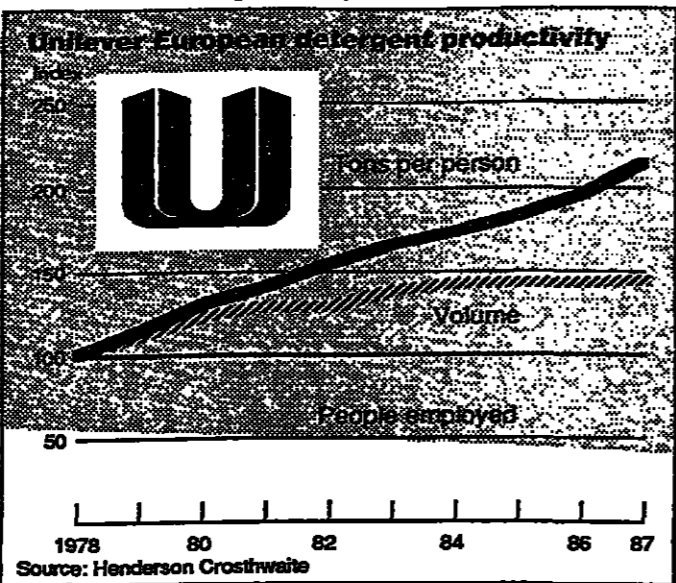
MANAGEMENT

Demographics, more than deadlines like 1989 and the scramble to meet them, is evolving into the single greatest influence on the strategies of the world's consumer goods makers.

Consumer trends

'In the end we are big brand people'

Christopher Parkes continues his series on Unilever by examining its strategies for North America and Europe, where it faces growing complexities created by the erosion of traditional mass markets



Mike Heron

The population of Europe has grown by 60m in the past decade, but it will increase by less than 10m between now and the end of the century.

1.1bn tonnes of powder and liquids a year and the number of work hours per tonne has been cut from 4.7 in 1983 to 3.1 last year; a further 10 per cent reduction is planned.

But the group and its competitors face a far more complex task as they adapt to meet and match the changing habits which will accompany the ageing of Europe and America.

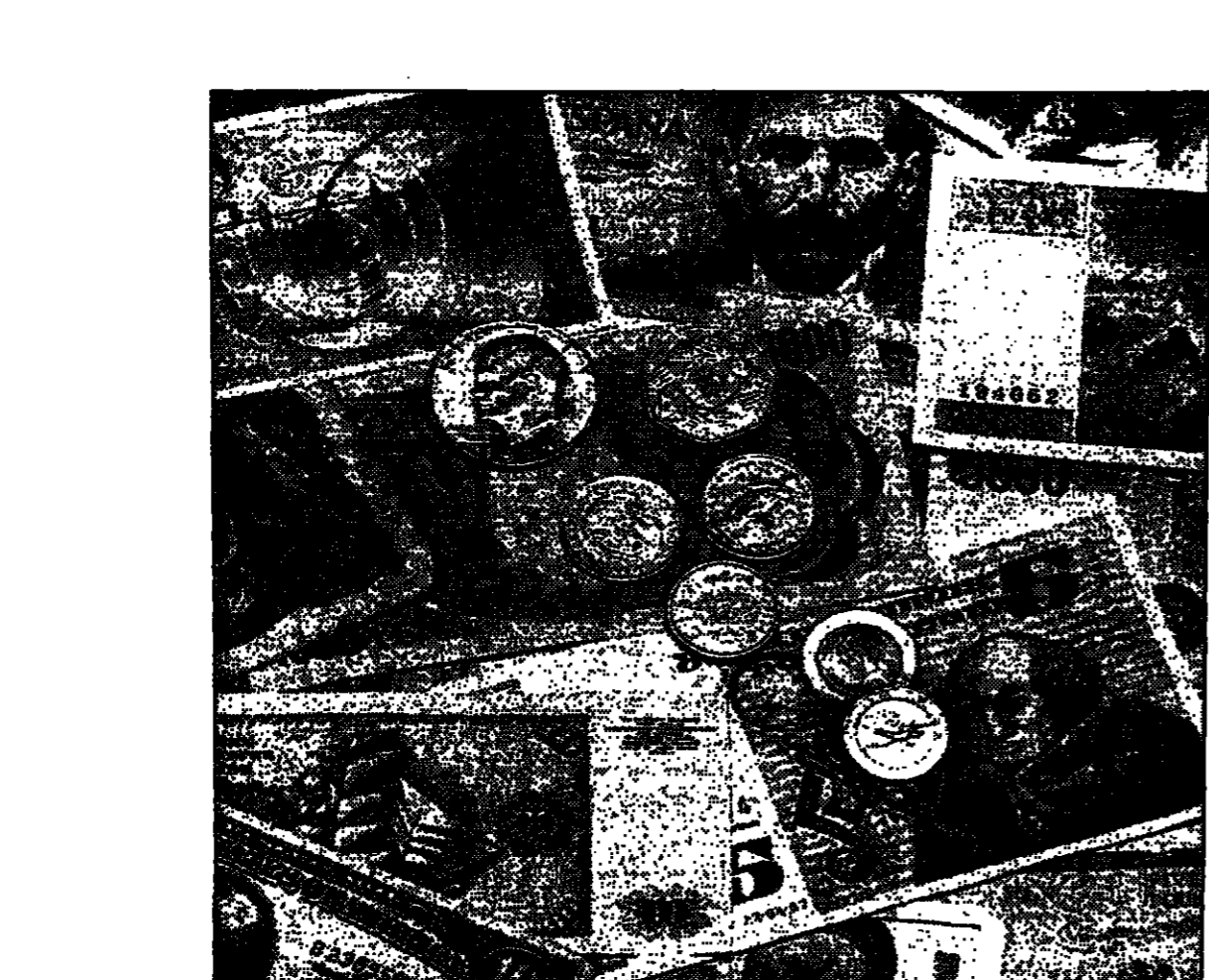
Mike Heron gives an indication of the way future developments may move. 'In the end we are big brand people and the quality of our decisions and how we structure ourselves means we shouldn't fiddle around. Give a brand manager half a chance and he'll fiddle around with any number of small ideas.'

costs in this sector, compared with marketing's 30 per cent. As things stand, the group is making the most of its bulk-buying power for raw materials, food ingredients, packaging and equipment.

ignore the need to cater for the multiplicity of local preferences that Italians still spread more mayonnaise than margarine on their bread, that people who soap and scrub themselves as much as the Americans have no need for Euro-bubble bath and deodorant body sprays and that while the Japanese will eat only dark chicken meat, Americans would rather go without if they cannot have the white.

sustained annual sales of \$100m. Unilever's Ragù spaghetti sauce among them, which turns over \$500m a year, is marketed differently in 60 different regions.

erity, added value on the scale demanded by Unilever and its like increasingly lies in the type of short shelf-life recipe dish pioneered in the UK by Marks and Spencer. For manufacturers of Unilever's size, geographical spread, ambition and operational basis, this could imply either acquisition or technological advances which will allow it to serve these new markets from its existing infrastructure.



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Summary of Call for Bids for an International Tender

THE NATIONAL BANK OF GREECE SA expresses its interest in the purchase and installation of its premises in Athens of an applications software package to support the Bank's International Division Dealing Room operation, including:

- 1. MONEY MARKET & FOREIGN EXCHANGE DEALING 2. DIRECT DEAL ENTRY AT THE DEALING DESK 3. ON-LINE REAL TIME DEALER ENQUIRIES 4. ASSOCIATED BACK OFFICE FUNCTIONS

The brochure concerning the detailed call for bids, the specifications for each of the above systems, the delivery and installation time, the requirements and the various terms of participation will be delivered from: NATIONAL BANK OF GREECE SA, Manager Organization Dept. 5 Em. Benaki Street, Athens 105 64, Office No.722, Tel. 022-1389, Fax 01-3211470 or mailed to those concerned at their written request and expense. Offers will be submitted on 27.2.1989 to the above address from 12.00 - 14.00 pm or mailed to the above address by registered mail on 24.2.1989.

The current call for bids is also published in the Official Journal Supplement of the European Communities.

NATIONAL BANK OF GREECE SA

COMPANY ANNOUNCEMENT

Rothschild & Co. Banque Mr. Jean-Claude MEYER, one of the managing directors (pérem) of Lazard Frères et Co (France) has been invited to join the partnership of ROTHSCHILD & CIE BANQUE (France) as General Partner whose he will be particularly in charge of the bank's international corporate finance.

FINANCIAL TIMES

BRACKEN HOUSE, CANNON STREET, LONDON EC4P 4BY
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Monday January 16 1989

The reshuffle continues

THE alliance announced last week between the UK's General Electric Company and General Electric of the US underlines the British company's new strategy of pursuing a larger share of European markets through joint ventures.

For GE the deal provides a bridgehead in the Community which it will certainly want to enlarge; it is hardly likely to be content with a partnership in domestic appliances and a minority stake in a gas turbine business.

Joint ventures
If all its new plans go through, GEC will emerge with seven major businesses of which, power engineering and domestic appliances, will be in the form of joint ventures and a third, telecommunications, will have a foreign partner as a large minority shareholder.

Collusive behaviour
These arrangements could have the effect of making the companies virtually bid-proof and encouraging collusive behaviour between them.

Card-carrying hooligans

Here we go. The hallowed British principle of muddled thinking is about to be applied with full force to a fresh subject - personal identity cards.

Absurd notion
The notion of football cards is absurd. The idea is that hooligans would be kept out of the grounds, with the result that the ugly violence of recent years would thus be stopped.

Transactions
Against that, a card would be a useful means of identification in everyday transactions.

company which is now part of STC, shows that a well-conceived "niche" strategy, reinforced by international alliances, can work even in an industry dominated by American and Japanese giants.

A reshuffling of assets among Europe's larger electrical and electronics companies will be helpful if it leads to stronger management, more willingness to think in European and global terms and greater specialisation in products and technologies where positions of world leadership are achievable.

These arrangements could have the effect of making the companies virtually bid-proof and encouraging collusive behaviour between them.

Ian Davidson on the debate behind plans for reform in French schools

For as long as anyone can remember, France has been buzzing with expectations of a major boost for education. In late 1987 the then Gaullist government produced a plan to raise the performance of the educational system; it was stillborn, pre-empted by the presidential election campaign of spring 1988.

But now the waiting is over. This week, Mr Jospin's Education Minister and Mr Rocard's number two, presents his long-term reform plan to the cabinet, and launches a three month negotiation to sell it to the politicians, the voters, the parents, the children, and, above all, the teachers.

In theory, the details of the reform plans are still top secret, but enough has trickled out to suggest that if adopted, they will lead to a sweeping transformation of the style and content of the French educational system. Some insiders claim that the changes will be the most far-reaching since the landmark package of reforms introduced by Jules Ferry in the 1880s, which laid down the benchmark for the next 100 years - making primary education free, compulsory, by and public service funded by the state.

The scale of this ambition needs to be measured against the current state of affairs. At present, about 40 per cent of French school pupils reach the level of the bac or some technological or professional equivalent, even if only three quarters of them actually pass it.

Claude Pair, one of the top advisers in the Education Ministry and a former Director des Lycées, does not agree. "We may not reach 80 per cent in the year 2000; but we shall reach it very soon thereafter, because everybody wants the young, the families, and industry. The young have a growing appetite for education, and the employers say they really want



Education goes to the barricades

people with two years of further education after the bac.

But if the system is being forced by its consumers to move from 40 per cent to 80 per cent in such a short time, why does it need a revolutionary reform? The answer falls into three parts. In the first place, current curricula and pedagogic methods are deliberately elitist and academic - they may be suitable for a minority of elitist academics, but they are not necessarily suitable for mass education.

Second, the attempt to force growing numbers of schoolchildren into such conformity means imposing an inhuman and absurd burden of work on them. France is the only country in the world, according to Yves Martin, doyen Inspecteur Général de l'Éducation, to require the study of philosophy in the school-leaving examination; in addition, during their two years of bac studies, all pupils have to take French, a modern language, history, geography, maths, physics, chemistry and physical education, whatever other subjects they may also have to take for their specialised bac.

Third, the policy of requiring children to absorb enormous quantities of

book-learning, no longer looks so sensible in the post-industrial era. The main teachers' union, the Fédération de l'Éducation Nationale (FEN) asked industry what skills it was looking for, and found that the three most wanted characteristics were the ability to communicate, the ability to work in teams, and a level of general education which would facilitate retraining.

The tension between elitist objectives and what the French call the "massification" of education, is bringing the system to breaking point, provoking a constant flood of criticism in

If there is one issue which really gets the French going, it is education

the media, and demoralisation among teachers and children.

Media criticism is most frequently encapsulated in the phrase *l'échec scolaire*, or school failure. This conveys the impression that the educational system is falling in general, that standards are declining, and that teachers are falling down on the job.

The picture is much better for the most able children in the top third, but seriously flawed for the also-rans. Not merely are standards not falling overall, they are rising substantially. This showed up in an army survey of conscripts, and has been comprehensively demonstrated by a new study published last week. The timing of its

publication is providential for the Government, since it should set the record straight before negotiations start with the teachers.

On the other hand, one of the real cankers in the system is what the French call "selection par l'échec", selection by failure. Every year in every class, 10-20 per cent of the pupils fail to pass the end-of-year exam, and have to do the year all over again.

At secondary level, the rate of so-called *redoublement* is on the increase, whereas at primary school it has declined. On the other hand, it is on young children that the destructive effect is most devastating. Of every 1,000 children who start primary school, 100 will be made to do the first year again; and out of these 100, 40 will drop another year before the end of primary school, and only one will ever get as far as the bac.

"French public opinion," says Antoine Prost, top adviser to Mr Rocard, and himself a historian of education, "thinks that *selection par l'échec* is an indication of quality; in fact, it is scandalous and destructive."

The severity of the selection process may push up standards for those who survive, but it is pitiless for the 30 per cent who leave school without any qualification.

The Government's reform plan is expected to encompass the entire educational system, from the *école maternelle* to the university. But the heart of the plan is expected to be a reform of the secondary school system, which starts with four years of *collège*, followed by three of *lycée*.

A central problem is the extraordinarily heavy load of homework, which is much harder for children from less privileged backgrounds,

who may live in cramped or noisy surroundings, or whose parents may be unwilling or unable to help. "When parents cannot help their children," says Yves Martin, "and they are the majority, someone else must - the teachers."

The British system, where teachers are present throughout the school day, would not go down in France, not with our habits. But at least they ought to be present 22-24 hours a week. This compares with the present requirement of 18 hours of classes for most teachers, or even as little as 15 for the more highly qualified *agregés*. These extra hours should be used for helping weak pupils, standing in for absent colleagues, helping young teachers, or administration.

Such an idea is bound to provoke protest from teachers, who are attached to the shortness of their hours and touchy over the specialisation of their profession. But Mr Martin is adamant: "I see no other solution."

In the *lycée*, he believes, change must be even more far-reaching. We must completely rethink the general *bac*, since it is not adapted to the 80 per cent target. We must accept the idea that pupils can limit the number of subjects, so as to get a deeper knowledge of one or two, and also produce a personal project, so as to acquire a real general culture. One example, one major subject, one minor, French, and physical education.

In a recent speech, Michel Rocard called for more time for arts, painting, music and theatre. This would be a major challenge to the present system which rigidly excludes everything which is not strictly on the syllabus, so that art, music, tennis, is optional extras, outside school hours and premises.

A revamped educational system is obviously going to be expensive. The Government will have to pay the teachers more if it is to persuade them to work longer and differently; it will need to replace the 300,000 teachers who are due to retire between now and the year 2000; and it will have to expand the teaching workforce, if it is to meet the 80 per cent target. The FEN claims that another 100,000 teachers will be needed.

With a starting salary for a qualified *lycée* teacher of FF 6,500 (US\$22) per month, and a final salary of FF 10,000 for a headmaster, the teaching profession looks unattractive. For purposes of comparison, the median for all salaries in France in 1986 was FF 6,230 per month, and the average was FF 7,560; whereas the average annual income of a physician in 1987 was FF 578,000, and of a surgeon FF 822,000.

The trouble is that there appears to be a yawning gap between what the teachers want and the extra money the Government has set aside. Towards the end of last year, the Government was promising an extra FF 4bn on top of the forecast budget; last week, it appeared to have recognised that this would not be enough and had raised it to an extra FF 6bn. But this is only about 3 per cent of the education budget - a recent poll suggests that teachers will be looking for a salary increase of FF 2,000 or FF 3,000 a month, about 50 per cent.

Claude Pair recognises that the Government's 3 per cent will not be enough; so ways must be found of making savings. Not merely is *redoublement* destructive, it also costs a lot. Reducing the children's work load could save money; postponing exams until July would add a month or six weeks of classes to a school year which is the shortest in Europe. It is hard to believe that these will provide more than penny savings, however. The negotiations ahead should be very interesting.

Chelsea 1 Palace 0

Chelsea Football Club is going through one of its fashionable periods: top of the Second Division and winning back the crown. So Stamford Bridge on Saturday seemed as good a place as any from which to observe how the crowds are behaving.

There was the added attraction of Dave Beasant, the new Chelsea goal-keeper. Beasant was the hero of the Wimbledon victory over Liverpool in the FA Cup Final last year. He was then transferred to Newcastle United for over £800,000, and last week moved to Chelsea for about 15 per cent less. Such figures perhaps explain why it costs £5 to get a place on the terraces.

For the uninitiated, the entrance to the stadium is not all that easy to find. If you try to take a short-cut, you are liable to end up in a private housing estate that culminates in a cul-de-sac. The local residents are not too helpful. We came across a group of bewildered Swedes who had been looking for the way in for about an hour.

OBSERVER

Books

I'm sorry - we discuss, but we don't haggle.

Currie gossip

Amid the speculation about the next Government reshuffle, one suggestion could perhaps come true. Edwina Currie, the departed but not disgraced Junior Minister of Health, could be made a deputy chairman of the Tory Party, rather in the role once played by Jeffrey Archer.

Nomura man

Plaudits all over the City for Hiroshi Nomura, who is returning to Tokyo to take over the overseas operations of Nomura Securities. The praises come not only from Sir Douglas Wess, the former Permanent Secretary at the Treasury now enjoying life in the private sector as (among other things) non-executive chairman at Nomura International in London. It is echoed by Eddie George at the Bank of England and Sir Martin Jacobson at BZW.

Strong wrong

The art establishment does not come well out of the exhibition on Aspects of Agriculture in English Art now being shown at the Mall Galleries. Indeed for several years it prevented it from being shown at all.

Currie gossip

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Advertisement for South African Airways (SAA). It features the SAA logo, the text 'Best carrier to Africa SOUTH AFRICAN AIRWAYS', and a large headline: 'To anyone who has ever flown SAA this will come as no surprise.' Below this, it lists benefits like 'Of all airlines flying to Africa, one has been acclaimed the best.' and 'The comfort of our 747 fleet; the convenience of non-stop, overnight flights from Heathrow Terminal 1; delicious food; fine wines: all these play their part in making SAA the number one choice to Southern Africa.' It also mentions 'Add to these SAA's commitment to good, old-fashioned service - friendly but not intrusive - and you have the reason why discerning travellers insist on South African Airways, time and time again.' and 'Next time your business takes you to Johannesburg, Cape Town, or other key Southern African destinations book SAA. You will appreciate the difference.' At the bottom, it says 'SAA SOUTH AFRICAN AIRWAYS We measure the miles by your smiles.' and provides contact information: 'SAA, 251-259 Regent Street, London, W1R 7AD, Tel: 01-774 9941 or 14 Waterloo Street, Birmingham, Tel: 01-234 9405, 65 Fenchurch Street, Manchester, Tel: 061-234 4424, 85 Buchanan Street, Glasgow, Tel: 041-221 0015.'

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FINANCIAL TIMES

Monday January 16 1989

brother MICROWAVES KNITTING MACHINES INDUSTRIAL AND DOMESTIC SEWING MACHINES

Janet Bush on Wall Street The latest in buy-out boutiques

LODESTAR, one of the growing army of Wall Street investment banking and mergers and acquisition boutiques...

Appearance can be deceptive. Its two founders built up a considerable track record at Merrill Lynch...

Within a few months of leaving Merrill, Miller and Gearreald had bagged a considerable investment by Yamachi Securities...

This is the third US investment bank to be backed by one of the big four Japanese securities houses...

The first test was raising money for the fund. The target was \$500m but, after an arduous year...

Mr Miller believes building a stake in a company is a good way to open a dialogue which could lead to the chance to work on a restructuring or buy-out...

Mr Gearreald said that he had looked at around 3,000 companies in the \$100m to \$500m range targeted by Lodestar...

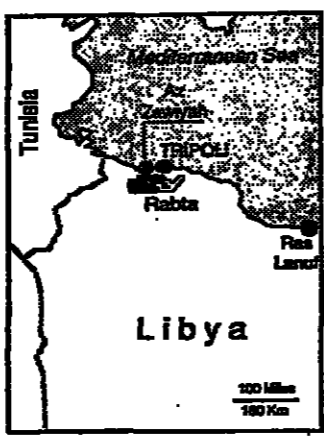
Mr Miller helped Mr Sumner Redstone, president of the National Amusements Cinema chain, take control of Viacom...

Lodestar is hoping to replicate these former glories in the brave new world beyond Merrill Lynch.

Clouds of suspicion over Rabta

Peter Marsh on calls for inspection of Libya's chemicals plant

A visit by an independent engineering team to the chemicals production complex at Rabta in Libya - which the US says is for making chemical weapons...



Bonn opposition challenges Kohl

West German Chancellor Helmut Kohl came under strong attack from the Bonn opposition this weekend over his handling of allegations that West German companies sold equipment for a suspected Libyan chemical weapons plant...

place. He was due to return in the next few days.

The controversy over the true purpose of the Rabta plant involves several elements:

● Detailed plant engineering: According to Western chemical engineers, it would be fairly easy to tell by looking inside the Rabta plant whether it was for pharmaceuticals or for making a substance such as mustard gas.

Most pharmaceuticals are made as solid tablets - in which case a plant for producing them would have powder-handling facilities and other systems for mixing solid ingredients - while a mustard gas factory would be designed for handling only liquids in the final production stages.

Most pharmaceutical factories in developing countries buy in solid raw materials, called intermediate chemicals, from other chemical suppliers and mix them in set ratios to produce specific classes of drugs such as antibiotics, anti-inflammatory preparations or painkillers.

If the Rabta plant were for pharmaceuticals it would be almost certainly geared towards making one or more specific drug classes, and a detailed examination of the plant would probably give clues as to which these were.

According to one UK pharmaceutical industry manager, it would be highly unlikely for a plant engineer to be able to switch a factory from making pharmaceuticals of this kind to one for producing mustard gas without this being glaringly obvious to an inspection team of engineers.

● Site of Rabta plant: Representatives of the chemical industry are puzzled by the location of the Rabta plant, 400 miles away from a big new Libyan petrochemicals complex at the port of Ras Lanuf...

for drugs in Libya," said Mr Bob Muller, a chemicals analyst at SRI International, a California-based chemicals consultancy.

"If I was asked to advise where to place a pharmaceuticals plant, then there are about 100 countries I would advocate putting it before I came to Libya."

● Involvement in Libya by international chemical engineering companies: In the past decade many European and US chemical engineering contractors have been active in Libya.

The main involvement has been in working on the Ras Lanuf complex and on a big oil refinery at Az Zawiyah, near Tripoli. Libya has also been involved in detailed discussions with foreign contractors about possible participation in plans to build new chemical facilities at Ras Lanuf to make ethylene-based materials such as polyethylene glycol, a product used for antifreeze and as a paint additive.

Among the engineering companies which have had contracts or done work in Libya in the past decade are Stone and Webster of the US and Italy's Snamprogetti and Technimont, a subsidiary of Montedison. There has also been involvement by many other, much smaller engineering subcontractors.

Besides the West German companies, which the US suspects may have helped in the Rabta plant, there would have also been plenty of opportunity, in theory at least, for companies such as these to have been asked to provide equipment or expertise for the factory.

"There's a virtually no market at the opposite end of the square, using three huge water cannons to force them into side streets."

Witnesses said that police charged as a large section of the crowd moved towards the statue of St Wenceslas, where Palach set fire to himself on January 16 1969 to protest against the Soviet invasion in 1968.

The demonstrators fled down the length of the square, amid cries of "Gestapo", but about 800 reformed to sing the national anthem. They were attacked again as they shouted, "Freedom, Freedom, Freedom!"

Police, many with dogs on leashes, then charged into another 1,000 people gathered

Czech police clash with demonstrators

By James Blitz in London

HUNDREDS of Czechoslovak police clashed yesterday with about 2,000 people assembled in Prague to commemorate the public suicide of Jan Palach, a Czech student, 20 years ago.

Yesterday's demonstration was the third serious gathering of opposition groups in Prague in the past six months.

At least one person was injured and several others badly beaten as riot police moved in on the crowd, which had gathered on Wenceslas Square, the kilometre-long boulevard at the centre of the capital. There were at least 12 arrests.

Titans gather to play out a power game

Continued from Page 1

Last March, Mr Welch first met Lord Weinstock. GE had digested the acquisition of CGE, the French medical electronics business it had bought from Thomson, and Mr Welch thought it needed to do deals in other sectors of its business to prepare for 1992.

He outlined to Lord Weinstock a plan of pooling their European activities in four sectors - domestic appliances, power engineering, medical electronics and electrical distribution equipment.

At around this time, GEC had started detailed negotiations with Alstom, owned by Compagnie Generale de L'Electricite (CGE) of France, about pooling all their activities in power engineering. GE was brought into these discussions, but fairly quickly its involvement was limited to gas turbines which account for about 10 per cent of the total.

Mr Welch's next move came in June when he again met Lord Weinstock and meeting between the companies began. Late in September, Mr Karlheinz Kaske, chief executive of West Germany's Siemens, dropped by to see Lord Weinstock. Mr Kaske also wanted a deal with GEC on power engineering, but Lord Weinstock was not keen.

He felt that Alstom's technology was more suitable. He also was worried that Siemens' power engineering interests were so much bigger than GEC's that he would be the junior partner.

Back in March 1988, GEC and Plessey had merged their telecommunications businesses into a new 50-50 joint venture, GPT. However, both sides realised that GPT would need a strong foreign partner

if it was to remain viable.

The most attractive option to Lord Weinstock was a deal with Siemens, because of his European credentials.

In September, Lord Weinstock decided that Siemens and GEC should launch a joint bid for Plessey. This would find a partner for GPT and also get hold of Plessey's defence business - a earlier attempt in 1986 was frustrated by the Monopolies and Mergers Commission (MMC).

Mr Kaske agreed in principle within a few days. Meanwhile, GEC's negotiations with GE had stalled.

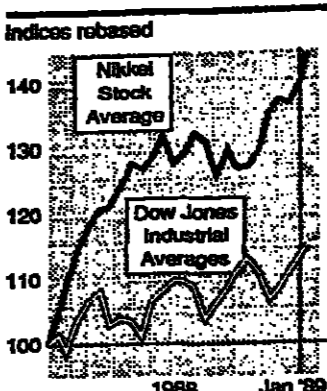
When GEC and Siemens launched their £1.7bn (\$3bn) bid for Plessey on November 15, the pace quickened. The next Monday, Mr Gomez of Thomson arrived in London to see Lord Weinstock. He wanted a slice of Plessey's defence business, arguing that GEC/Siemens would have to sell part of it to get round the MMC. Lord Weinstock refused to give a definite commitment.

Meanwhile, Lazard was pursuing various options for a defence for Plessey. One would have involved a merger between Plessey and STC, which would then have bid for GEC. This collapsed because Christmas, because it was impossible to agree on terms.

At the same time, GE hired N.M. Rothschild. The merchant bank came up with at least one alternative way of structuring a bid for GEC, fronted by Lord King, chairman of British Airways. Lord Weinstock soon got word of Lazard's plans and GE's possible involvement. He

Business as usual in Tokyo

When just about every broker and fund manager in town is predicting an excited future for one particular market, normal mortals might feel that something awful is about to happen. But normal mortals have been wrong before - quite a lot of the time about the Tokyo market.



Today, Tokyo is sleeping off the effort of last week's exertions, which put the index up by 3.6 per cent in five trading days. It may return from the long weekend with enthusiasm cooled by the break; but the weight of arguments in favour of a continued rise should soon get the Nikkei moving again.

Even on its own, the weight of money argument is persuasive: first there is all the money sidelined while the Emperor was ill, which is now falling head over heels into equities; and then there is an extra ¥1.5 trillion or so in net bond redemptions expected next month. Bond yields are still the right side of 5 per cent by enough of a margin to send that money into equities.

Meanwhile, the economy seems to have achieved what everyone seeks but no one else has found: high growth with low inflation. Indeed, in terms of fundamentals, there is very little to spoil the view; economic growth, corporate profits, interest rates and inflation are all on the equity market's side. If all this seems too rosy for words, then focus on whether a weaker yen and stronger oil price could lead to higher interest rates. But unless they do - and the odds are not on such a scenario at the moment - there seems little short term cause for dismay.

As long as all those yen are held captive in Tokyo by the exchange rate, it is hard to see Tokyo disappointing by much.

Index funds From the determination with which fund managers are flailing index funds - Lazard's, James Capel and London & Bishopgate's fund should make the first ever indexed investment trust a nice little earner for Mr Maxwell.

The great shift to international investment has also played its part in the index fashion. Any portfolio without a substantial chunk of Japan has underperformed the world index, while specialist Japan funds have also done much worse than the local index. However, these numbers

should be used with care. Japan funds have done badly this decade mainly because they have been underweight in financials; but last decade they outperformed for the same reason. There is a danger that once again the fund management industry has jumped onto a bandwagon when it is too late.

Wall Street The behaviour of Wall Street over the last few weeks has been rather perverse. Back in November when Mr Bush won the election, the market fell by 4 per cent and there was a run on the dollar. Since then US equities have rallied by close to 10 per cent, the world's central banks are having trouble stemming the dollar's rise and worries of yet higher US interest rates have been forgotten as Wall Street's favourite son prepares for this week's presidential inauguration. Is Mr Bush about to inherit some of his predecessor's legendary luck in financial matters?

Wall Street has now recouped roughly half of the losses incurred between its peak of 2722.4 in August 1987 and its low of 1738.7 on Black Monday. Fears of a recession have eased, there is plenty of money on the sidelines as institutional liquidity benefits from record share buybacks and takeover activity, and worries about the dollar have receded for the moment. Meanwhile, last week's news that an industrial heavyweight like Ford Motor had increased its dividend by 25 per cent - putting its shares on a yield of 5.7 per cent - was bound to help sentiment.

However, Mr Bush's honeymoon with the financial markets will probably not last for long. The rally of the past few weeks is evidence of how quickly investor psychology can change and there are plenty of reasons which might trigger a negative response. Here are a few. Oil prices have risen by close to a third since Mr Bush won the election and whilst it may be no more than a temporary hiccup, it could still put upward pressure on US wholesale prices which grew faster last year than at any time since 1981.

Corporate profit growth is likely to decelerate from the 25 per cent plus rates in 1988 and 1987 to less than 10 per cent in the current year, and the US trade figures could still provide some nasty surprises. Mr Bush inherits an economy where growth is slowing and inflation is rising and this is hardly the fuel for a sustained bull market rally.

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FINANCIAL TIMES COMPANIES & MARKETS

Monday January 16 1989

INSIDE Fruitful invasion of Continental Europe

Over the past 18 months British companies have spent more than £100m buying up 11 fresh produce distributors in Continental Europe. One of the invaders, Albert Fisher, is now the largest fruit handler in the Netherlands. The trend is a clear response to the erosion of trade barriers opened up by 1992. And British distributors, used to the exacting demands of UK retailers, seem particularly well placed to capitalise on the fragmentation of the continental market. Page 17

A flood of Japanese paper First a trickle, then the flood: Japanese equity warrant new issues will be hitting the European market heavily in the rest of January and February, raising fresh questions as to whether such a weight of new paper can be absorbed. No-one is forgetting the crash of the market last June, though syndicators at Japanese brokers remain in confident mood. Page 14

Bid volleys from Wardle Stores Mr Brian Taylor (left), chief executive of the diversified British group Wardle Stores, likes to spend his free time shooting pheasants. Game of a very different sort has been in his sights over the past few weeks as he has tried to bag Armstrong Equipment, an industrial fasteners and motor components group, with a hostile bid. But victory is far from certain. Page 18

The perils of new pay practices Performance-related pay is becoming a symbol for the personnel practices of the modern, flexible, customer-driven business. But, argues Charles Leadbeater in the Business Column, this shift in philosophy creates tricky questions for companies - of definition, measurement and impact on staff morale. Page 30

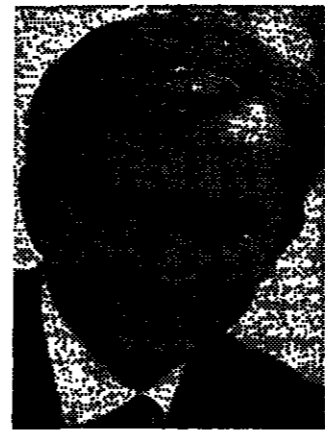
Market Statistics table with columns for Base lending rate, FT A Week Index, FT/IBD net bond see, Foreign exchanges, London stock issues, London share services, Money markets, New let bond issues, Tokyo bond issues, US money market rates, US bond prices/yields, Unit trusts, World stock mkt indices.

Companies in this section table listing various companies like Asaco British Foods, Australian Bank, British Petroleum, Cerus-Dumeril, CL-Alexanders Laing, Crusader Life, Emlak Bankasi, Hyundai, ISIS Group, Legal & General, Nabisco's Del Monte, Northern Foods, N Hamp Public, Oee-v D Grinten, Once-Gruyosa, Thomson T-Line, United Biscuits.

New dynasty captures Dallas-style boardroom

Paul Betts and Lisa Wood explain how one of France's most stormy business soap operas could be drawing to a close

Mr Bernard Arnault is moving in this morning to the ritzy Parisian offices of Moët-Hennessy near the Etoile. His arrival will mark one of the most astonishing business coups in French corporate history. In barely eight months, the 29-year-old Arnault has risen from relatively unknown businessman to head of one of France's most famous but strife-torn companies - Moët-Hennessy-Louis Vuitton (LVMH), the champagne, cognac and luxury products group. Immediately after his appointment as chairman on Friday, he called in company managers to make it crystal clear he was now in charge: "There is no question. He is the boss," Mr Anthony Tennant, the chief executive of British drinks group Guinness, remarked in Paris on Friday evening.



Bernard Arnault: Not content to play a passive role

Just before Christmas, fearing that a corporate restructuring being proposed by the Chevalier and Racamier camps would dilute his role at the group, Mr Arnault spent nearly FF4bn to increase his stake to more than 40 per cent. It became clear that there was not room for both Mr Arnault and Mr Chevalier, the group's incumbent chairman, at the top, and last Thursday Mr Chevalier quit. The emergence of a clear winner should bring a degree of equilibrium to the group: although the internal squabbles have so far not undermined the group's performance - profits for 1988 are expected to rise by 50 per cent to nearly FF2.2bn on sales of FF16.5bn - the rifts were beginning to have a seriously destabilising effect.

Mr Arnault's ascent has been widely hailed in France as the victory of a new breed of young French financiers over the traditional business establishment. But he has above all displayed an extraordinary sense of opportunism during the last few years. Starting off as a property developer in the family business, the cool and workaholic Arnault seized his first big opportunity in 1984 by taking over and engineering the recovery of the bankrupt Bessac textile empire. He then moved into retailing and the luxury sector with Dior, Celine and more recently Christian Lacroix. By 1987, his Financière Agache holding company had already built up an annual turnover of more than FF12bn

chairman of the executive board on Friday, is unlikely to abandon his ambitions to run the Louis Vuitton side of the business with complete autonomy. The Hennessy cognac and Moët-Chandon champagne businesses, which Mr Chevalier spent 18 years building up, are also likely to try to seek a strong measure of management autonomy. However, Mr Arnault will have the backing of Guinness, which has emerged from the affair with a considerably enhanced influence at the French group - and, thanks to a low key approach, without stirring up French chauvinism.

It first teamed up with LVMH in 1987, establishing a series of joint ventures with Moët-Hennessy in the US and Far East. These made it the envy of other British drinks groups. Joint ventures are an important part of Guinness's plan to gain greater control over the marketing and distribution of its spirits brands and thus upgrade their international image.

To protect its interests when the LVMH feud intensified, Guinness, with Mr Arnault, took an equity stake in the group. When the most recent round of share-buying is included, it will end up with a fully diluted holding of 19.5 per cent and a seat on the LVMH executive board. This will be occupied by Mr Tony Greener, managing director of United Distillers, Guinness's spirits subsidiary, and significantly, a former managing director of luxury goods group Dunhill. Mr Tennant is already on the supervisory board.

The total cost of the stake could be as much as £800m, but Mr Tennant insists that the latest £20m investment will not dilute earnings. The remark might suggest that this year's LVMH figures are looking very encouraging. However, the final outcome must depend crucially on Mr Arnault's negotiating skills.

So far he has hardly put a foot wrong. But the next few months will tell whether he can succeed in pulling together the various parts of LVMH and bringing the curtain down on one of the most stormy and theatrical melodramas to have shaken a major French company in recent years.

The Delphic tendencies of Mr Bush

By Anthony Harris in Washington



When I was a student, the in book to read was called Seven Types of Ambiguity. This only goes to show that you never know which part of your education is practical; for President-elect Bush may be about to raise the score. It is always difficult to know precisely what he means, for he is rather impressionist in his use of words, but one can usually get his drift. Not always, though. Last Thursday, for example, Mr Bush said his piece on leveraged buy-outs. The Washington Post, which is against them, said that he was opposed to buy-outs; the Washington Times, which is rather in favour, said that he was opposed to restrictions on buy-outs. The markets are clearly going to have an interesting time reading his lips.

What Mr Bush actually said was that he himself was "one who would, as much as possible, rely on market forces" and was "not opposed to bigness." Signs of relief from Mr Boese Filkins and the shareholders' lobby, Mr Bush added, however: "I am in favour of the Government seeing that there is no abuse through the tax system." This kind of shimmers when you try to get close to it, for abuse is very much in the eye of the beholder.

The general drift seems to be that if Mr Bush's friend Mr Nicholas Brady, the Treasury secretary, wants to impede LBOs through the tax code, he can go ahead; and Mr Brady has indicated a general unease about the growth of corporate debt. This suggests that something will be done (and indeed Congress is in a mood to insist on it even if the administration were not willing on its own).

However, it also suggests that the decision will take rather a long time. Meanwhile, we can expect a rash of attempted buy-outs to beat the restrictions. This may not succeed, though, to be relieved by the slow progress which Kohlberg, Kravis and Roberts is making in assembling the finance for its \$20bn EJR buy-out.

The junk-bond specialist is getting cautious - Drexel Burnham Lambert is now reported to be considering two former chairmen of the Securities and Exchange Commission in its search for a new chairman. Junk bond investors are getting a little choosy. This is partly because of reports that the Federal Open Market Committee is becoming increasingly aggressive in raising

interest rates; a recession caused by high short-term rates would be a nightmare for the over-leveraged. More important, perhaps, the Treasury bond market is beginning to look very attractive. The very flat December retail sales figures were read by investors as confirmation that the 200 basis-point rise in short rates which the Fed has imposed since the summer may be enough to do the job, and that a growth recession at least is now on the cards. If this is right, long rates may already have peaked, even if the FOMC continues to squeeze the short market a bit longer just to make sure.

The scene is set, in short, for a fight into quality; in a recession, yields on Treasuries could fall sharply, but the higher yields on junk bonds are liable to rise. On this scenario, market forces are likely to check the buy-out boom long before Mr Bush is forced to make an actual, unambiguous decision, and he will no doubt be much relieved.

It is worth noting that it is not only the forces in the investment market which are involved here. If interest rates do turn, it will be largely because consumers started to restrain their spending as early as last summer, before the Fed pushed rates up. This will be something of a relief to Mr Bush, who is not happy about the possibility of being forced to deflate the economy just after winning an election on a promise of sustained growth; and it will also increase the demand for the services of Mr Beryl Sprinkel.

Mr Sprinkel, now in his last week as Chairman of the Council of Economic Advisors, will probably be looking to the lecture circuit for a considerable share of his future income, and events are now making his unchanged monetarist beliefs look quite persuasive.

His final Economic Report of the President included a long, well-reasoned attack on the Fed for basing monetary policy on economic indicators rather than on the money numbers. Mr Sprinkel has obviously been itching to say this for a long time; the money numbers have been very moderate for some months. If the Fed does fall into the old central bankers' trap of doing too much, too late, his fees will rise, providing a further illustration of market forces. He will be able not only to criticise the fine-tuners at the Fed,

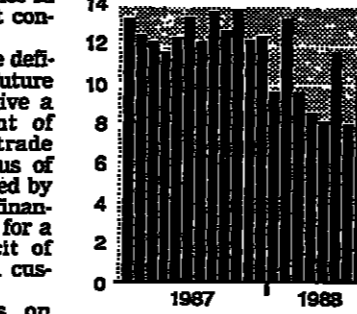
Economics Notebook Beware of the statistical trap

THE FIRST law of the economic jungle is to beware of traps. If economic statistics show something different from what rational thinking would suggest, don't just throw out the theory. The rule is particularly fitting in the run up to a budget. This time last year three months after the stock market crash, economic indicators pointed to a slowdown in growth, almost certainly encouraging tax cuts announced in the Budget. But many economic commentators had to scratch their heads for a convincing reason why a drop in share prices should have such a far-reaching impact. In the long run their doubts were justified. This year the Treasury will be anxious to avoid that pitfall as it looks for signs that high interest rates are slowing the economy down. Yet it is not obvious what their yardstick will be. Clearly there are long legs involved. Interest rates started moving upwards in June six months ago - but still evidence that they are having an effect is sketchy and probably no more definite than the evidence behind last year's phantom slowdown. Take the housing market. The Treasury cites it as an area where its policy is beginning to work. Turnover has dropped and prices are rising far less rapidly and may, in some instances, even have fallen. To attribute this solely to high interest rates, however, could be misleading. The link between interest rates and housing costs is not clear. Prices may have cooled simply because of a natural correction after years of rapid growth, coupled with a pause after the change in tax treatment of multiple mortgages in August which had led to frantic activity beforehand. The full impact of interest rates could still be to come. Instead interest rate effects are likely to be seen earlier in consumer spending. High base rates mean higher mortgages which directly result in less to spend in shops. Nevertheless, it pays to be patient. November's fall in retail sales, even if repeated in figures for December published today, may not be due to interest rate effects but other, easily reversible, factors such as a fall in confidence. Economic theory suggests the impact on consumer spending takes time. This is illustrated in a study by Michael Dicks of the Bank of England. His paper, which attempts to improve previous models of consumer spending, finds a link during the 1980s between interest rates and spending on non-durable goods such as food, clothing and services which account for about 90 per cent of consumption. Superficially, this is good news for the Government: Although a link with durable goods (washing machines and motor cars, for instance) has long been established, previous economic studies have often found no effect of interest rates on non-durables. This could be due to other studies looking at the experience of the 1970s and not taking account of financial deregulation this decade. Effects of interest rate rises are the time lags implicit in his calculations which can be worked out from the specifications set out in the paper. After six months, only about an eighth of the total effect of a rise in base rates has emerged and even after two years, just half has worked through. In other words, some effects of last year's rises in base rates may not become apparent until data for the first few months of this year are published.

THIS WEEK

US TRADE figures on Wednesday are set to dominate economic news this week but a welter of economic statistics in the UK could also attract considerable attention. The size of the US trade deficit could determine the future path of the dollar and give a guide to the extent of adjustment in world trade imbalances. The consensus of analysts forecasts, compiled by MMS International, the financial research company, is for a merchandise trade deficit of \$8.6bn in November on a customs imports basis. US inflation features on Thursday when the consumer price index for December is published. The consensus is for a rise of 0.4 per cent. Other key statistics, which will give a guide to possible wage and price pressures, include industrial production figures and capacity utilisation figures on Wednesday. The consensus is for a 0.3 per cent rise in production and 84.2 per cent utilisation. Japanese trade figures for December will be published sometime this week and will show the extent the monthly surpluses increased towards the end of last year. UK figures include retail sales figures today, average earnings figures on Thursday and money supply and retail price index (RPI) statistics on Friday. The Government and other analysts will be watching carefully for evidence of the hoped-for slowdown in consumer spending and an easing of inflationary pressures. The consensus is for retail sales to rise by 0.5 per cent in December after a 0.8 per cent fall in November. A larger increase could intensify fears that interest rates will have to rise still higher. On the same theme, consumer expenditure figures for the last three months of 1988 on Friday will show the strength of spending at the end of the year. The RPI is expected to have

US Trade deficit



increased by 0.3 per cent in December. This would take the annual rate of inflation to 6.5 per cent compared with 6.4 per cent in November. Average earnings are expected to be unchanged at 9 per cent a year. Among December's money supply figures, M0, the narrow measure, is likely to receive most attention. The consensus is for a 0.6 per cent rise. Other statistics this week (with MMS International consensus in brackets) include: Today: French consumer prices. Tomorrow: US manufacturing and trade, inventories and sales in November (+0.3 per cent). Wednesday: UK public sector borrowing requirement in December (£1.2bn). US two-year Treasury note announcement. Thursday: UK labour market statistics including unemployment (35,000 fall), manufacturing output in November (0.4 per cent rise), vehicle production in December, institutional investment in three months to September. US housing starts in December (1.5m), 52-week Treasury bill settlement, monthly monetary aggregates, Japanese machinery orders for November. Friday: Japanese money supply figures for December, UK tax and price index. Cyclical indicators for December.

Toshiba advertisement featuring a satellite image and the slogan 'TO US IT'S JUST ANOTHER BEGINNING.' Text describes Toshiba's investment in research and development of new beginnings like this broadcast satellite technology.

Ralph Atkins

INTERNATIONAL CAPITAL MARKETS

INTERNATIONAL BONDS

Japanese equity warrant new issues set to flood in

THE TRICKLE of Japanese equity warrant new issues last week is set to turn into a flood during the rest of January. According to the official calendar, up to \$9bn of issues is lined up, with \$3bn spread between five launches scheduled for January 26 alone.

February too is set to be busy, with one securities house forecasting that new issue levels will nearly match those in January. As knowledge of this volume has been absorbed by the Euromarket as a whole, old questions about the equity warrant business have been re-opened.

The prime query is whether the market will be able to absorb such a weight of new paper. Events in June last year, when the market crashed are cited as the best reason for caution. Further, the longer-term future of the sector is also under debate.

However, syndicate managers at the Japanese brokers that dominate the equity warrant business are in confident mood. They claim that they have learned the hard way how to stay within the market's capacity for paper. They also know that they will continue to find such issues a major source of profits.

The year-end league tables provided eloquent testimony to the extent to which profitability in the Euromarkets last year was sustained by Japanese equity warrants. The particular dependence of the Japanese houses on such deals has been well documented.

cent, Nomura nearly 59 per cent and Daiwa some 58 per cent. Total volume last year was \$28.4bn.

However, the houses in question are weary of the negative inferences drawn from such observations. "How many more redundancies would there have been in London without the equity warrant sector?" asks one official at Yamaichi.

The same official also points out that while many of this year's Eurobond issues are currently trading on or just outside face, equity warrant deals have generally gone to a sharp premium to the issue price. The Sumitomo Chemical Company \$400m issue on Thursday, for example, was trading on Friday at 107 1/2 per cent.

Underpinning the houses' confidence is the strength of the Japanese stock market, which is still breaking new ground, and the fact that the warrant market is now much more orderly than a year ago. The Japanese houses meet regularly to monitor coupon and price levels for warrant deals, while the Ministry of Finance queueing system means issues are well sign-posted. London's secondary market dealers also meet monthly.

The fact that many of January's issues will be from well-known companies seeking large sums is also welcomed. "A series of large issues from big names should be much better for sentiment and liquidity than last year's tendency for lots of small deals," says a London warrant trader.

Borrowers in January will include Mitsui, Komatsu, NIS, Britannia B/S, Canon, Kobe Steel and Nippon Steel, several of which are launching \$1bn bonds.

Among the more attractive reasons for issuing warrants, the ability to achieve cheap funding remains paramount. Favourable swap opportunities combine with low coupons to yield financing at extraordinarily low interest rates.

According to several sources, while in 1988 it was standard for issues to be swapped into yen, it is now common for borrowers to enter into more complicated swaps. Reflecting the increasingly international business interest of many Japanese corporations, currencies now considered include the D-Mark and the Swiss franc, as well as the currently popular switch from fixed into floating dollars.

Speculation that a weaker of new paper will depress prices, possibly forcing lead managers to raise coupons in order to attract buyers, is given short shrift by syndicate heads.

"We don't foresee raising coupons. If there is a sudden reversal in Tokyo or if there is trouble in the US Treasury market, then the warrant market might meet some resistance, but it's unlikely," said the official at Yamaichi. Far more likely is that issues will meet heavy demand, allowing a round of coupon cutting. An official at Nomura said that any move towards this was likely to be restrained by prudence.

Andrew Freeman

EUROCREDITS

Tokyo bankers rush to join KKR funding

REMONSTRATIONS from Japan's regulatory authorities about the dangers involved in financing leveraged buy-outs have apparently failed to discourage banks there from funding part of Kohlberg Kravis Roberts' \$25bn acquisition of RJR Nabisco.

While a total of \$13.6bn is being sought for the first phase of the financing, at least eight Japanese banks are said to have committed \$4.4bn alone. Dai-ichi Kangyo Bank, Long Term Credit Bank of Japan, Fuji Bank and Sanwa Bank are said to have committed \$600m each, while industrial Bank of Japan, Sumitomo Bank, Mitsubishi Finance and Nippon bishi Finance are said to have committed \$500m each. The deadline for bank commitments has been set for tomorrow and, according to Bankers Trust, one of the four bank arrangers, syndication is progressing well.

refinancing bridge loan's margin is 3 1/2 points over Libor. There is a \$5.35bn term loan with principal repayments made in increasing amounts after the third year and final repayment at the end of six years. Margins on this segment are 2 1/2 points over Libor. There is also a \$1bn three-year working capital loan paying 2 1/2 points over Libor.

Meanwhile, Norwegian government moves to ease the way for foreign currency borrowings by corporations have enabled Norway's largest investment company, A/S Investra, to raise its first Eurocredit. Manufacturers Bank and Christiania Bank have been mandated to arrange a \$100m five-year revolving credit facility with a margin of 3/4 over Libor.

The woes of Norway's banking system have been forcing its larger, better-known corporations to search for funds outside the country in increasing numbers since last year. However, a loan to one of Norway's most frequent Eurocredit borrowers, Storebrand Finans, has somewhat mysteriously been pulled in late December by its arranger, Merrill Lynch. The loan, a \$100m five-year revolving credit facility, was launched, somewhat unusually, while a \$60m three-year facility with marginally less attractive terms was still in syndication by its arranger, First Chicago.

Merrill, pressed for an explanation, would say only that it had "postponed" its offering in November.

Table with columns: Country, Market, Turnover (\$bn), Change %

Table with columns: Borrowers, Amount m, Maturity, Av. life years, Coupon %, Price, Book runner, Offer yield %

Table with columns: Borrowers, Amount m, Maturity, Av. life years, Coupon %, Price, Book runner, Offer yield %

STANHOPE PROPERTIES PLC
Revolving Credit Facility
£165,000,000
Arranger: Credit Suisse First Boston Limited
Lead Managers: Barclays Bank PLC, The Industrial Bank of Japan Limited, The Long-Term Credit Bank of Japan, Limited, The Sumitomo Bank, Limited, Bank of America NT & SA, The Dai-ichi Kangyo Bank, Limited, The Mitsubishi Bank, Limited, The Mitsui Bank, Limited, Société Générale London Branch, The Kyowa Bank, Ltd., The Bank of Tokyo, Ltd., Bank Leu Ltd, Die Erste österreichische Spar-Casse-Bank First Austrian Bank
Agent Bank: Barclays Bank PLC
Swingline Agent: Lloyds Bank Plc

Lucas Industries plc
(Incorporated in England with limited liability)
£100,000,000
10 7/8 per cent. Bonds Due 2020
Issue Price 98.907 per cent.
J. Henry Schroder Wagg & Co. Limited
Cazenove & Co.
In conjunction with Greenwell Montagu Gilt-Edged
January 1989

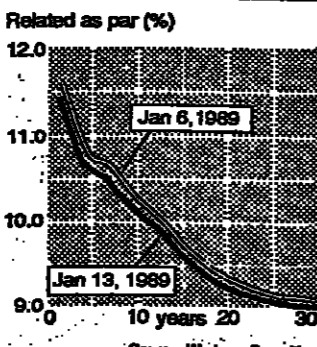
INTERNATIONAL CAPITAL MARKETS

UK GILTS

Analysts and the Walters factor

THE FORTHCOMING return of Sir Alan Walters on the economic policy-making scene has begun to excite the minds of some in the gilt market. A return to monetary targeting and a period of prolonged disinflation are how two analysts see the consequences of his reappearance.

UK gilts yields



Chancellor's main priority.

Mr Keating says interest rates will therefore stay much higher for much longer than most expect and not start edging down much in the face of evidence of a slowdown in the economy.

The Bank of England's reverse gilt auction for £500m of short-dated stocks went exceptionally well last Friday, exceeding the expectations of the professionals and, one suspects, the Bank and Treasury as well. It was the first and last for this financial year but it is as near to certain as anything can be that there will be more to come in the 1988-89 financial year.

Foreigners, particularly the Japanese, were equally enthusiastic. Their recent purchases of dollar-denominated securities has been contributing to the dollar's new year rally. Last week the greenback struggled off the widest ranging intervention central banks have undertaken since last summer.

US MONEY AND CREDIT

Strong dollar precipitates rally

A STRONG dollar, some suspiciously weak economic figures and brisk retail demand at the Treasury's auction triggered a modest rally in US bond prices late last week. Whether it can continue this week depends on how the dollar reacts to US trade figures, which are likely to be poor, and to the somewhat mixed signals from foreign governments about the currency.

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markets would appreciate some clarification of certain governments' positions on the dollar, most notably Bonn's. On the one hand, Mr Gerhard Stoltenberg, the West German Finance Minister, said in Washington last week that the current level of the dollar was fine. On the other hand, various officials from the Bundesbank said otherwise.

At least for now the dollar's strength is a powerful reason for the Fed not to tighten monetary policy further. Confirmation of the latest smuggling came on Thursday with the start of a new banking reserves statement period. The Fed's target level for Fed Funds, the rate at which banks lend reserves to each other, is now 9 to 9 1/2 per cent, up from 8 1/2 to 9 per cent at the turn of the year.

US MONEY MARKET RATES (%)

Table with columns: Fed Funds (weekly average), Three-month Treasury bill, Six-month Treasury bill, 90-day Commercial Paper, 90-day Government Paper. Rows show rates for 1 week, 4 wks, 12-month, and 24-month.

US BOND PRICES AND YIELDS (%)

Table with columns: Seven-year Treasury, 20-year Treasury, 30-year Treasury. Rows show prices and yields.

NRI TOKYO BOND INDEX

Table showing performance index for December 1985 = 100. Columns include Average, Last, 12 wks, 26 wks. Rows include Overall, Government Bonds, Corporate Bonds, etc.

"This uptick is more than just a monthly aberration," said Mr Joseph Plocek, economist at McCarthy, Ciesanti and Maffei. "The risk is that the monthly trade deficit could soon return to the \$12bn-14bn range."

A number of factors are at work: the export stimulus from the 1985-87 dollar devaluation is wearing off; export prices are rising; foreign growth and thus demand is slowing; US growth and thus demand for imports is still strong and oil import prices are rising.

The result is a tricky policy bind for the Fed. It wants high interest rates to cool the economy but, in turn, those are helping to support the dollar and thus weaken US trade performance.

Roderick Oram

FT/AIBD INTERNATIONAL BOND SERVICE

Large table listing international bonds with columns for Country, Issuer, Maturity, Yield, and Price. Includes sections for Australia, Canada, France, Germany, etc.

Advertisement for Associated Newspapers Holdings p.l.c. Guaranteed by Daily Mail and General Trust PLC. Issue of £60,000,000. 8 1/4 per cent. Guaranteed Exchangeable Bonds Due 2003. Exchangeable for B Ordinary (Limited Voting) Shares of Reuters Holdings PLC. Lists Baring Brothers & Co., Cazenove & Co., etc.

STRAIGHT BONDS: Yield in redemption of the mid-price. Amount issued is expressed in millions of currency units except for Yen bonds, where it is in billions. FLOATING RATE BONDS: US dollars unless indicated. Premium above the month offered rate for US dollars. C.c.p. = current coupon.

UK COMPANY NEWS

1992 will come as a major bonus

Vanessa Houlder on the growth of UK fresh produce distributors

THE NOTION of a UK company delivering flowers in The Netherlands might seem as inappropriate as one distributing pasta in Italy or brandy in France. Yet when Unigate bought Spronsen, a Dutch flowers, fruit and vegetable distributor earlier this month, it was following a well trodden path. In the past 18 months, Albert Fisher Group, Polly Peck International and Hillsdown Holdings have spent more than £100m between them on 11 fresh produce distributors in Continental Europe.



Tony Miller (left), chairman of Albert Fisher, and Tony Reading, managing director of Polly Peck.

In the run-up to 1992, this is perhaps not surprising. If there was a list of clear beneficiaries of the erosion of trade barriers, the distribution trade might be near the top.

"The lifting of trade barriers will bring exciting prospects in the European distribution market," predicts Mr John Worby, finance director of Unigate. As retailers increasingly source from other markets, there will be heightened demand for distributors which can traverse national boundaries, he says.

Mr Worby believes that UK companies have a distinct advantage in the European market place. "UK distribution expertise is more advanced than the rest of the Continent," he says.

As a result of more exacting demands by UK retailers and a greater emphasis on temperature controlled distribution, UK operators are geared up to delivering unblemished goods in short spaces of time, he says.

Another key advantage of moving into mainland Europe is that the market, worth an estimated £20m, is highly fragmented.

This is illustrated by the findings that after just five acquisitions Albert Fisher is already the largest fruit handler in The Netherlands, occupying a third of the Rotterdam fruit pier.

A further attraction of the continental market is that it is free from domination by a small number of large retailers. In the UK, by contrast, this situation is perceived to restrict the opportunities for profitable growth for distributors.

"There is enormous pressure by the multiples on margins in fresh produce in the UK," says Mr Tony Miller, chairman of Albert Fisher.

Accordingly, in some cases, the UK expansion on the Continent might have taken place without the added impetus of the freeing of trade barriers. "1992 is a major bonus for our European expansion, not the primary reason," says Mr Miller.

Likewise for Polly Peck,

expansion on the Continent was on the cards, regardless of the erosion of the trade barriers. "We wanted more control over our marketing in the EEC, as part of our general strategy of vertical integration," says Mr Tony Reading, managing director.

There are other reasons why the influence of 1992 should not be overplayed. Already, distributors travel long distances and cross national boundaries. Hillsdown Holdings' Habets, for example, already operates throughout West Germany and France.

"For fruit distribution 1992 will not be as dramatic as with some industries, as it is already a long way down the road," claims Mr Harry Solomon, chairman of Hillsdown.

In part, this stems from the universal taste for fruit and vegetables, which means that, unlike processed food, it should not benefit from the increasingly multi-national operations of the manufacturer.

(That said, some variations do exist. In The Netherlands, for example, a third of households squeeze their own orange juice, thereby demanding a different quality of fruit.)

But even if the markets for fresh produce across Europe are substantially the same, there are considerable differences in the nature of the distribution trade between the countries.

Accordingly, it is no coincidence that UK companies have shown a clear preference for buying companies based in The Netherlands.

Albert Fisher has made five acquisitions in The Netherlands (Reingold, Citronas, Aartsen, Pakoni and Limax); Polly Peck has made one (Van Den Brink); and Hillsdown Holdings has made two (Habets and B&F).

The chief explanation is that The Netherlands, which has close trading links with other countries in West and East Europe, is at the hub of fruit and vegetable distribution over the Continent.

In 1988, one-third of all produce imported into The Netherlands, primarily through the port of Rotterdam, was re-exported.

Furthermore, the risks for the distributor are often minimised as a result of the Dutch trading system, whereby he agrees a commission regardless of the selling price.

In addition, The Netherlands has other key advantages. "The Dutch speak good English and have traditionally been good trading partners," says Mr Solomon. "Holland's business style is close to that of the UK," agrees Mr Miller.

"If you are going into Europe, Holland is the place to start."

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OF
BUNZL PULP & PAPER (SALES) LIMITED**

FOR £22,000,000

Meteor Holdings Limited has been newly formed to acquire Bunzl Pulp & Paper (Sales) Limited and eleven other paper trading companies operating in the UK, Europe and the Far East.

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Term loan and working capital facilities were provided by:-
National Westminster Bank plc



INVESTORS IN INDUSTRY

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Registered in the conduct of investment business by SIB

December 1988

L & G new business expands by 64%

By Nick Bunker

THE slackening house purchase market failed to slow down growth in life assurance at Legal & General, the insurance group, which boosted total UK mortgage-related new

business 64 per cent to £98m last year.

The group received 42 per cent of its business last year from independent intermediaries.

It has signed up 18 building societies, with 400 branches, 850 estate agents, and 1,100 small insurance intermediary firms, to sell L&G life products exclusively. Its direct sales

force totals 2,500.

Individual single-premium pensions new business was up 32 per cent at £76m.

Individual life assurance single premiums dropped 49.4 per cent to £65m, showing how the 1987 equity market crash has hit sales of lump-sum equity investments.

UK new annual premiums advanced 81 per cent to £180m,

including the mortgage-related business increase. New annual premiums for individual pensions business jumped from £30m to £70m.

At Prudential Corporation, the UK's largest life assurance group, worldwide new annual premiums were up 33 per cent at £502.4m. New single premiums rose 32 per cent to £1.65bn.

COMPANY NOTICE

OFFSHORE SHARHANS ASSETS COMPANY

Registered Office: 23 rue des Broyards, L-1274 Howald, Grand Duchy of Luxembourg

DIVIDEND ANNOUNCEMENT

TO THE SHAREHOLDERS OF OMAC GLOBAL INCOME FUND

The shareholders of OMAC Global Income Fund are informed that the AGM held on 20 January 1989 and the proposal of the Board of Directors to pay a dividend of US\$ 0.20 per share for shares subscribed and in circulation on 19th December 1988, payable on 19th January 1989 against presentation of Coupon No 2.

Shareholders can cash this coupon at the following bank:

Banque Generale de Luxembourg, 17 Avenue de la Liberté, L-1215 Luxembourg

Kenneth L. Field, Administrative Manager

FT Share Service

The following securities were added to the Share Information Service in Saturday's edition:

Apollo Metals (Section: Industrials); Watch Products (Industrials); Associated Farmers (Third Market);

Bitchley Motor Group (Motors-Garages); Bostrom (Motors-Components);

Capital Leasing (Banks, HP); Channel Express (Industrials);

Erskine House 7.25% Conv. Conv. Red. Pref. shares (Industrials);

Metro Radio (Leisure);

SHARE STAKES

Changes in company share stakes announced recently include:

Baggeridge Brick: Mr Alexander Ward, a director, has increased his beneficial interest to 2,441,088, which include 1,56m joint interests with other beneficiaries, with the addition of his director's qualification holding of 400 shares, bought on December 21.

Baillie Gifford Ship Nippon: Lloyds Bank (Nominees) raised its stake by 250,000 shares to 1m (6.34 per cent). The name of the registered holder has not been disclosed.

Baillie Gifford Technology: Clydesdale Investment Trust

has raised its holding to 2.75m (24.9 per cent) with the purchase of 150,000 ordinary. The names of the registered holders have not been disclosed.

Beacon Group: Triton General Trust increased its holding to 1.22m shares (5.63 per cent) by acquiring 539,233 at 43p each. London Life raised its holding to 1.17m shares (5.4 per cent) by buying 960,324 shares at 43p.

Health Care Services: Lodge Care now holds 750,000 shares (5.45 per cent). Rights and Issues Investment Trust: Orion Insurance bought 230,000 income shares (9.6 per cent).

FOKUS Bank A/S

(Incorporated in the Kingdom of Norway with limited liability)

U.S. \$30,000,000

Floating Rate Subordinated Notes due 1997.

Holders of Floating Rate Subordinated Notes of the above issue are hereby notified that for the interest period from 17th January, 1989 to 17th April, 1989 the following information is relevant:

1. Applicable interest rate: 9 7/8% per annum

2. Coupon Amount payable on Interest Payment Date: US \$239.06 per US \$10,000 Nominal

3. Interest Payment Date: 17th April, 1989

Agent Bank: Bank of America International Limited



Republic of Iceland U.S. \$125,000,000

Floating Rates Notes due 2000

Holders of Floating Rates Notes of the above issue are hereby notified that for the interest period from 17th January, 1989 to 17th July, 1989 the following information will apply:

1. Rate of Interest: 9 7/8% per annum

2. Interest Amount payable on Interest Payment Date: US \$487.07 per US \$10,000 Nominal or US \$12,176.65 per US \$250,000 Nominal

3. Interest Payment Date: 17th July, 1989

Agent Bank: Bank of America International Limited

ANZ McCaughan

From Monday 16th January 1989, the name ANZ McCaughan will apply to all the securities, corporate finance and capital markets operations of the ANZ Group in the United Kingdom.

ANZ Merchant Bank Limited and McCaughan Dyson Capel Cure (UK) Limited will now trade respectively as ANZ McCaughan Merchant Bank Limited and ANZ McCaughan Securities (UK) Limited.

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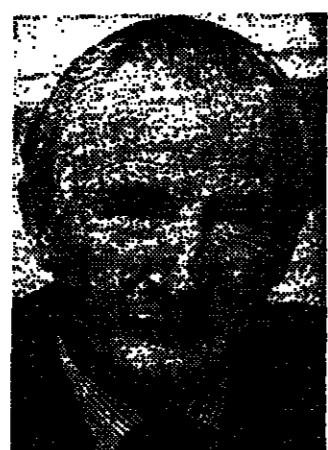
ANZ McCaughan
65 Holborn Viaduct, London EC1A 2EU

UK COMPANY NEWS

Nabisco sell-off attracts interest from UK rivals

By Ray Bashford

THREE BRITISH food companies are expected to participate in an international auction for the purchase of Nabisco's UK and continental European biscuit and snack foods businesses.



Sir Hector Laing interested if the price is right

Associated British Foods, United Biscuits and Northern Foods have expressed interest in the purchase of Nabisco's European arm following the record \$250m takeover of the company by Kohlberg Kravis Roberts, the US leverage buy-out group.

Estimates by two of the possible UK bidders on the value of the European operations through an expected break-up range from between \$500m to \$1bn.

The more conservative of the estimates places a value of \$500m on the UK business and \$300m on the continental European side.

The auction is also generating interest among European food companies with BSN of France and Bahlsen of West Germany seen as the most likely bidders.

ness and combine it with the existing Ryvita crispbread and Burtons brands. A deal for the businesses is unlikely to go through until KKR moves closer to negotiating final financing for the Nabisco purchase.

Nabisco's major UK biscuit brand is Huntley & Palmer and the company is also understood to control about 40 per cent of the country's snack foods business which has been the more successful side of operations.

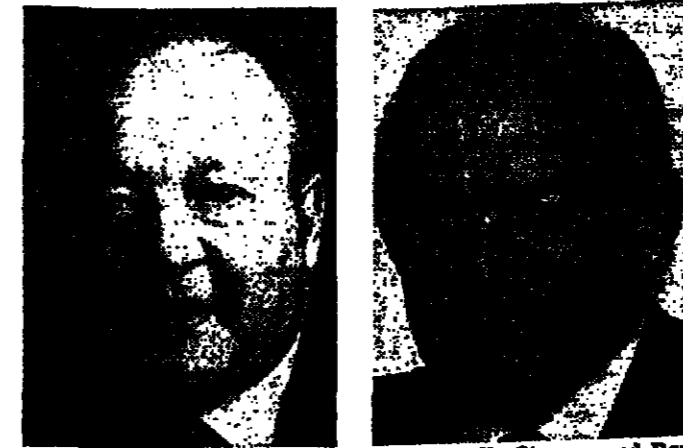
Wardle pins its hopes on the institutions Clare Pearson looks at the closing stages of the £83m bid for Armstrong Equipment

MR BRIAN TAYLOR, chief executive of Wardle Storeys, sounds convincing when saying that he does not care if his £83m hostile bid for industrial fasteners and motor components company Armstrong Equipment succeeds by the final close on Wednesday.

That, perhaps, is the problem with the offer - many observers believe Wardle, a plastic products and security equipment group which has achieved startling growth under Mr Taylor's control, would certainly have won had it been prepared to improve its share-and-cash terms.

It eased to 138p at Friday's close, a sizeable discount to the 153p offer, as hopes that Wardle would move into the market to pick up shares for cash faded.

But the Wardle side is able to point to a number of causes for optimism. First, 80 per cent of Armstrong's shares are in the hands either of Caparo or of institutions who might be expected to accept their large blocks of shares only at the last minute.



Brian Taylor (left), chief executive of Wardle Storeys and Roy Watts, chairman of Armstrong Equipment

Armstrong's case is that it is too early for shareholders to write off the present management team, which has not yet had time to prove its colours. True, Mr Roy Watts, the chairman who combines this role with heading up Thames Water, had put most of the top personnel in place by the summer of 1987 - yet profits actually fell in the last financial year.

Wardle, meanwhile was pointing out that its offer represented a historic price of 12.5 and a prospective price/earnings multiple of 13.3. This, it said, was a "massive" premium to the rating of other UK motor components companies, with GKN, for instance, standing on a prospective multiple of around 7. If Armstrong were to fall into line with these companies, it was implied, its share price would have to drop to around 65p.

At last, one institutional shareholder had found Wardle's arguments persuasive by Friday, and believed the bidder still had about a 50 per cent chance. But others were not so optimistic of his chances.

Thomson urged to give forecast

By Ray Bashford

LADBROKE GROUP, the international leisure undertaking, has again called on Thomson T-Line to give additional information about its trading performance as the takeover fight for the industrial holding company appears poised to intensify.

Since last month when Labroke announced its £165m offer, Wembley, the diversified leisure group, has been reported to be a possible counter bidder.

tion is the ownership of Venons football pools for which it paid £90m last year. In an attempt to gain more information about this division in particular, Labroke has called on Thomson to "publish without further delay, a profit forecast by division for the current year for the benefit of all its shareholders."

BP and KIO deal not greenmail

By Eric Short, Pensions Correspondent

THE INVESTMENT Committee of the National Association of Pension Funds is satisfied that the share transaction between British Petroleum and the Kuwait Investment Office does not fall under the general description of greenmail.

Under the share transaction referred to, BP is buying the share holding which the Kuwait Investment Office has in the company.

It also felt that this was not a matter on which the Investment Committee should make a general policy decision. The judgement of the transaction remained entirely a matter for individual pension fund investors holding BP shares.

Markheath stake

Markheath Securities, the UK investment vehicle of Mr John Spalvin which has built up a 21 per cent stake in Camford Engineering, said its intentions regarding its holding as a long term investment, the statement said, "and has no present intention of making an offer for the whole of the company".

ISIS tops £1m

ISIS Group, construction, engineering and property concern, lifted pre-tax profit from £575,000 to £1,058,000 in the half year ended September 30 1988.

This advertisement is issued in compliance with the requirements of the Council of The International Stock Exchange of the United Kingdom and the Republic of Ireland Limited ("The Stock Exchange") and does not constitute an invitation to anyone to subscribe for or purchase any shares.

THE MALACCA FUND

MALACCA FUND (CAYMAN) LIMITED (An exempted company incorporated with limited liability under the laws of the Cayman Islands with Registered Number 310136)

PLACING BY BANQUE INDOSUEZ OF UP TO 3,500,000

Participating Shares of U.S.\$0.01 each at U.S.\$10.40 per Share

- W. I. Carr (Far East) Limited, Baring Securities Limited, Hoare Govett International Securities Limited, Indosuez Asia Investment Services Limited

Listing particulars relating to the Company will be circulated in the Extel Statistical Services prior to the commencement of dealings. Copies of the listing particulars may be obtained during normal business hours up to and including 18th January, 1989 from the Company Announcements Office of The Stock Exchange, 46-50 Broad Street, London EC2A 1DD and up to and including 30th January, 1989 from:

- Banque Indosuez, 52-62 Bishopsgate, London EC2N 4ER, W. I. Carr (Far East) Limited, 1 London Bridge, London SE1 9TJ

16th January, 1989

ARNCLIFFE HOLDINGS has acquired Gascoigne Property Company, the principal asset of which is an investment property of about 12,000 sq ft of shop and office accommodation in Leeds. The cash consideration was £450,000.

CHRISTY HUNT: Triplex Lloyd received acceptances in respect of 42.5m ordinary and 30,352 preference by January 12, which together with the 1.75m ordinary acquired by Triplex, represents 89.39 and 60.7 per cent respectively.

WOOLWICH EQUITABLE BUILDING SOCIETY £200,000,000 Floating Rate Loan Notes Due 1993

FRANK IDIENS AND SONS, INDUSTRIAL EQUIPMENT Pacific, part of the group of companies run by New Zealand businessman Sir Ron Brierley, has lifted its stake in Mount Charlotte, the hotel and leisure group, by 1.1 per cent to 11.36 per cent.

SPONSORED SECURITIES

Table with columns: Capitalisation, Company, Price, Change on week, Gross Div, Yield, P/E. Includes entries for 10111, 775, 5004, 10787, 6255, 10087, 2113, 16740, 7163, 6521, 9529, 1001, 18225, 8500, 4002, 5288, 7975.

KINGSGRANGE has delayed the announcement of its results for the six months to October 31 1988 for a few days so that it can coincide with the completion of the North American joint venture between Lyle Blair and Robert Foster as announced on December 21.

MEYER INTERNATIONAL's proposed acquisition of certain assets of Norcross, namely UBM builders' merchants, will not be referred to the MMC.

Dealings in the ordinary shares of Cassidy Brothers plc are expected to commence on 24 January 1989.

CASSIDY BROTHERS PUBLIC LIMITED COMPANY PLACING by MARDEN W HARGREAVE HALE & CO of 810,000 Ordinary Shares of 10p each at 45p per share payable in full on application. SHARE CAPITAL: Issued and fully paid £250,000, Ordinary Shares of 10p each £250,000.

YAMACHI ADVANCED Technology Fund Societly Anonim. Notice of Meeting: Notice is hereby given that the third ANNUAL GENERAL MEETING OF YAMACHI ADVANCED TECHNOLOGY FUND will be held at the Yamachi Centre, 10A, Boulevard Royal, on Thursday, 26th January, 1989 at 11 hours.

£200,000,000 MFC Finance No.1 PLC Mortgage Backed Floating Rate Notes Due October 2023 In accordance with the Terms and Conditions of the Notes, notice is hereby given that the new interest rates and periods in respect of the subject Notes are as follows:

FINANCIAL TIMES STOCK INDICES

IG INDEX LTD, 9-11 GROSVENOR GARDENS, LONDON SW1W 0BD. Tel: 01-828 7253/5699. Reuters Code: IGIN, IGIO. FT 30, FTSE 100, WALL STREET.

Handwritten Arabic text: هكنا مكالمة

FT UNIT TRUST INFORMATION SERVICE

For Current Unit Trust Prices on any telephone ring direct-0836 4 + five digit code (listed below). Calls charged at 39p per minute peak and 25p off peak, Inc VAT

Main table containing unit trust information with columns for company name, unit price, and other financial details. Includes sub-sections for 'OTHER UK UNIT TRUSTS' and 'INSURANCES'.

OTHER UK UNIT TRUSTS

INSURANCES

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

For Current Unit Trust Prices on any telephone ring direct-0636 4 + five digit code (listed below). Calls charged at 38p per minute peak and 25p off peak, the VAT

Main table containing unit trust information, organized into columns for various categories like 'Norwich Union Life Assurance', 'Prudential Life Assurance Ltd', 'Royal Heritage Life Assurance Ltd', etc. Each entry includes company names, fund names, and numerical values.

BERMUDA AUTHORIZED

Offshore insurance and investment services authorized in Bermuda.

OFFSHORE INSURANCES

List of offshore insurance companies and their services.

JERSEY AUTHORIZED

Offshore insurance and investment services authorized in Jersey.

OFFSHORE AND OVERSEAS

Offshore and overseas insurance and investment services.

GUERNSEY AUTHORIZED

Offshore insurance and investment services authorized in Guernsey.

MANAGEMENT SERVICES

Investment management services provided by various firms.

IoM AUTHORIZED

Offshore insurance and investment services authorized in IoM.

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FT UNIT TRUST INFORMATION SERVICE

Table of FT Unit Trust Information Service, listing various unit trusts with columns for Name, Type, and other details.

LONDON SHARE SERVICE

Table of London Share Service, including sections for British Funds, Foreign Bonds & Rails, and Americans, with columns for Name, Price, and other metrics.

Money Market Trust Funds
Money Market Bank Accounts
Text providing details on financial services and interest rates.

UNIT TRUST NOTES
Text providing information regarding unit trusts, including performance and investment details.

LONDON SHARE SERVICE

For Latest Share Prices on any telephone ring direct-0353-43 + four digit code (listed below). Calls charged at 35p per minute peak and 25p off peak, inc VAT

AMERICANS - Contd

Table listing American companies with columns for Stock, Price, Bid, Offer, and Dividend. Includes companies like IBM, General Electric, and Ford.

BANKS, HP & LEASING

Table listing banks and hire purchase/leasing companies with columns for Stock, Price, Bid, Offer, and Dividend.

BEERS, WINES & SPIRITS

Table listing beer, wine, and spirit companies with columns for Stock, Price, Bid, Offer, and Dividend.

BUILDING, TIMBER, ROADS

Table listing building, timber, and road companies with columns for Stock, Price, Bid, Offer, and Dividend.

BUILDING, TIMBER, ROADS

Table listing building, timber, and road companies with columns for Stock, Price, Bid, Offer, and Dividend.

CHEMICALS, PLASTICS

Table listing chemical and plastic companies with columns for Stock, Price, Bid, Offer, and Dividend.

DRAPERY AND STORES

Table listing drapery and store companies with columns for Stock, Price, Bid, Offer, and Dividend.

BUILDING, TIMBER, ROADS

Table listing building, timber, and road companies with columns for Stock, Price, Bid, Offer, and Dividend.

ELECTRICALS

Table listing electrical companies with columns for Stock, Price, Bid, Offer, and Dividend.

CHEMICALS, PLASTICS

Table listing chemical and plastic companies with columns for Stock, Price, Bid, Offer, and Dividend.

DRAPERY AND STORES

Table listing drapery and store companies with columns for Stock, Price, Bid, Offer, and Dividend.

BUILDING, TIMBER, ROADS

Table listing building, timber, and road companies with columns for Stock, Price, Bid, Offer, and Dividend.

ENGINEERING - Contd

Table listing engineering companies with columns for Stock, Price, Bid, Offer, and Dividend.

CHEMICALS, PLASTICS

Table listing chemical and plastic companies with columns for Stock, Price, Bid, Offer, and Dividend.

DRAPERY AND STORES

Table listing drapery and store companies with columns for Stock, Price, Bid, Offer, and Dividend.

BUILDING, TIMBER, ROADS

Table listing building, timber, and road companies with columns for Stock, Price, Bid, Offer, and Dividend.

INDUSTRIALS (Miscel.) - Contd

Table listing industrial companies with columns for Stock, Price, Bid, Offer, and Dividend.

CHEMICALS, PLASTICS

Table listing chemical and plastic companies with columns for Stock, Price, Bid, Offer, and Dividend.

DRAPERY AND STORES

Table listing drapery and store companies with columns for Stock, Price, Bid, Offer, and Dividend.

BUILDING, TIMBER, ROADS

Table listing building, timber, and road companies with columns for Stock, Price, Bid, Offer, and Dividend.

INDUSTRIALS (Miscel.) - Contd

Table listing industrial companies with columns for Stock, Price, Bid, Offer, and Dividend.

CHEMICALS, PLASTICS

Table listing chemical and plastic companies with columns for Stock, Price, Bid, Offer, and Dividend.

DRAPERY AND STORES

Table listing drapery and store companies with columns for Stock, Price, Bid, Offer, and Dividend.

BUILDING, TIMBER, ROADS

Table listing building, timber, and road companies with columns for Stock, Price, Bid, Offer, and Dividend.

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LONDON SHARE SERVICE

For Latest Share Prices on any telephone ring direct-0638 43 + four digit code (listed below). Calls charged at 88p per minute peak and 25p off peak, inc VAT

Handwritten note: 15/1/89

LEISURE - Contd. Table listing various leisure companies like British Skyways, British Airways, and their share prices.

PROPERTY. Table listing real estate and property-related companies and their share prices.

TEXTILES - Contd. Table listing textile companies and their share prices.

TRUSTS, FINANCE, LAND - Contd. Table listing trusts, finance, and land companies.

OIL AND GAS - Contd. Table listing oil and gas companies and their share prices.

MINES - Contd. Table listing mining companies and their share prices.

MOTORS, AIRCRAFT TRADES. Table listing motor and aircraft trade companies.

PROPERTY. Table listing real estate and property-related companies.

TEXTILES - Contd. Table listing textile companies.

TRUSTS, FINANCE, LAND - Contd. Table listing trusts, finance, and land companies.

OIL AND GAS - Contd. Table listing oil and gas companies.

MINES - Contd. Table listing mining companies.

Commercial Vehicles. Table listing commercial vehicle companies.

PROPERTY. Table listing real estate and property-related companies.

TEXTILES - Contd. Table listing textile companies.

TRUSTS, FINANCE, LAND - Contd. Table listing trusts, finance, and land companies.

OIL AND GAS - Contd. Table listing oil and gas companies.

MINES - Contd. Table listing mining companies.

NEWSPAPERS, PUBLISHERS. Table listing newspaper and publishing companies.

PROPERTY. Table listing real estate and property-related companies.

TEXTILES - Contd. Table listing textile companies.

TRUSTS, FINANCE, LAND - Contd. Table listing trusts, finance, and land companies.

OIL AND GAS - Contd. Table listing oil and gas companies.

MINES - Contd. Table listing mining companies.

PAPER, PRINTING, ADVERTISING. Table listing paper, printing, and advertising companies.

PROPERTY. Table listing real estate and property-related companies.

TEXTILES - Contd. Table listing textile companies.

TRUSTS, FINANCE, LAND - Contd. Table listing trusts, finance, and land companies.

OIL AND GAS - Contd. Table listing oil and gas companies.

MINES - Contd. Table listing mining companies.

SHOES AND LEATHER. Table listing shoes and leather companies.

PROPERTY. Table listing real estate and property-related companies.

TEXTILES - Contd. Table listing textile companies.

TRUSTS, FINANCE, LAND - Contd. Table listing trusts, finance, and land companies.

OIL AND GAS - Contd. Table listing oil and gas companies.

MINES - Contd. Table listing mining companies.

SOUTH AFRICANS. Table listing South African companies.

PROPERTY. Table listing real estate and property-related companies.

TEXTILES - Contd. Table listing textile companies.

TRUSTS, FINANCE, LAND - Contd. Table listing trusts, finance, and land companies.

OIL AND GAS - Contd. Table listing oil and gas companies.

MINES - Contd. Table listing mining companies.

THIRD MARKET

Table listing third market share prices for various companies.

NOTES

Stock Exchange dealing classification is indicated to the right of company names. A, Alpha; B, Beta; C, Gamma. Under official indicators, prices and net dividends are in pence unless otherwise stated. Dividends are in pence unless otherwise stated. Dividends are in pence unless otherwise stated.

REGIONAL & IRISH STOCKS

Table listing regional and Irish stocks with their respective prices and dividends.

TRADITIONAL OPTIONS

Table listing traditional options with 3-month call rates for various companies.

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES REVIEW

Charting a course for the dollar

AT A New Year celebration, held by the Bank of Tokyo in London, guests were asked to forecast the dollar's value against the yen at the end of 1989. The highest was Y195, the lowest Y85; not surprisingly the majority came in the Y110 to Y120 range, with the average about Y115.

between New York and Tokyo, noting that the three-month differential is now the widest for four years. BZW sees the dollar as the most attractive major currency.

market feels that 130 days gives the best medium term guide to currency movements. The dollar is now above its 130 day moving average against most European currencies, and on charts that signals a strong upward trend.

But not everyone agrees. They seldom do in the foreign exchange markets, and Mr Chris Tinker at Phillips and Drew does not see the momentum left in sterling to move it much above DM3.2750.

£ IN NEW YORK

Table with columns: Jan 13, Dec, Previous Dec. Rows: 1 spot, 1 month, 3 months, 12 months.

CURRENCY RATES

Table with columns: Jan 13, Bank rate, Spot rate, Forward rate. Rows: Sterling, US Dollar, Canadian Dollar, etc.

CURRENCY MOVEMENTS

Table with columns: Jan 13, Spot of English Index, Movement, % Change. Rows: Sterling, US Dollar, etc.

OTHER CURRENCIES

Table with columns: Jan 13, £, S. Rows: Argentina, Australia, Brazil, etc.

STERLING INDEX

Table with columns: Jan 13, Previous. Rows: 8.30, 9.00, 10.00, 11.00, Noon, 1.00, 2.00, 3.00, 4.00.

EURO-CURRENCY INTEREST RATES

Table with columns: Jan 13, Short term, 7 days notice, One month, Three months, Six months, One year. Rows: Sterling, US Dollar, etc.

POUND SPOT-FORWARD AGAINST THE POUND

Table with columns: Jan 13, Day's spread, One month, Three months, Six months, One year. Rows: US, Canada, etc.

DOLLAR SPOT-FORWARD AGAINST THE DOLLAR

Table with columns: Jan 13, Day's spread, One month, Three months, Six months, One year. Rows: UK, France, etc.

EXCHANGE CROSS RATES

Table with columns: Jan 13, £, S, DM, Yen, F.Fr., S.Fr., H.Fr., Lit, C.S., B.Fr. Rows: £, DM, Yen, etc.

EUROPEAN OPTIONS EXCHANGE

Table with columns: Series, Vol, Bid, Ask, Last, % Chg, Stock. Rows: GOLD C, GOLD D, GOLD P, etc.

BASE LENDING RATES

Table with columns: Bank, % Rate. Rows: ABN Bank, Ades & Company, etc.

MONEY MARKETS

Bundesbank likely to tighten its stance

TIGHTER MONETARY policy by the West German Bundesbank could be the most significant interest rate movement on the horizon. This would be seen as a move to defend the D-Mark against the dollar, but the Bundesbank would also welcome the opportunity to raise interest rates to control money supply growth and inflationary pressure.

The dollar is strong, and the D-Mark relatively weak at present, but the picture could change with a tightening of the Bundesbank's monetary stance.

MONEY RATES

Table with columns: NEW YORK, Treasury Bills and Bonds. Rows: Prime rate, Fed funds rate, etc.

LONDON MONEY RATES

Table with columns: Jan 13, Overnight, 7 days notice, One month, Three months, Six months, One year. Rows: Interbank Offer, etc.

FT LONDON INTERBANK FIXING

Table with columns: Bid, Offer. Rows: 3 months US dollars, 6 months US dollars.

BANK OF ENGLAND TREASURY BILL TENDER

Table with columns: Jan 13, Jan 6, Jan 13, Jan 6. Rows: Total of applications, Total allocated, etc.

WEEKLY CHANGE IN WORLD INTEREST RATES

Table with columns: Jan 13, Change. Rows: LONDON, NEW YORK, TOKYO, BRUSSELS, AMSTERDAM.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

Large table with columns: NATIONAL AND REGIONAL MARKETS, FRIDAY JANUARY 13 1989, THURSDAY JANUARY 12 1989, DOLLAR INDEX. Rows: Australia, Austria, Belgium, etc.

The World Index (2457) 142.98 +2.4 119.09 127.51 2.21 142.79 118.63 127.04 142.96 113.37 113.26

EUROPEAN OPTIONS EXCHANGE

Table with columns: Series, Vol, Bid, Ask, Last, % Chg, Stock. Rows: GOLD C, GOLD D, GOLD P, etc.

BASE LENDING RATES

Table with columns: Bank, % Rate. Rows: ABN Bank, Ades & Company, etc.

The Kingdom of Belgium 100,000,000 Floating Rate Notes due 1994. In accordance with the provisions of the Notes, interest is hereby fixed for the Interest Period from 13th January, 1989 to 13th April, 1989 the Notes will bear a Rate of Interest of 13.375% per annum.

FT LONDON INTERBANK FIXING

Table with columns: Bid, Offer. Rows: 3 months US dollars, 6 months US dollars.

BANK OF ENGLAND TREASURY BILL TENDER

Table with columns: Jan 13, Jan 6, Jan 13, Jan 6. Rows: Total of applications, Total allocated, etc.

WEEKLY CHANGE IN WORLD INTEREST RATES

Table with columns: Jan 13, Change. Rows: LONDON, NEW YORK, TOKYO, BRUSSELS, AMSTERDAM.

CROSSWORD

No.6.835 Set by QUARK

Crossword puzzle grid with clues: 1 and 5 Net result? You're out of place if like it (4,3,2). 2 Could provide a hold-up. One's suitably covered (6,9).

TO ADVERTISE Property To Rent. Furnished lettings Company and Embassy Lets. Long and Short Term. All appear in the FT every Monday and Saturday.

ACROSS 1 and 5 Net result? You're out of place if like it (4,3,2). 9 Daniel is well known for a book (5). 10 Could produce drop in certain craft (3,6).

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WORLD STOCK MARKETS

Table of stock market data for various countries including Australia, Canada, Germany, Italy, Japan, and the UK. Columns include country, stock name, price, and change.

Table of stock market data for Japan, Australia, and the UK. Columns include country, stock name, price, and change.

Table of stock market data for Canada, including Toronto and Montreal. Columns include stock name, price, and change.

Table of stock market indices for New York, including Dow Jones and other regional indices. Columns include index name, value, and change.

Table of stock market data for Tokyo, listing various Japanese stocks and their prices.

Table of stock market data for Singapore, listing various Singaporean stocks and their prices.

Advertisement for 'Your FT hand delivered in Germany' featuring a large image of a newspaper and text about subscription services.

Advertisement for 'ON BUSINESS IN LUXEMBOURG?' with text about complimentary copies of the Financial Times.

Advertisement for 'Your FT hand delivered in Germany' with contact information for Frankfurt 0130-5351.

هكذا على النصف

NYSE COMPOSITE PRICES

Table of NYSE Composite Prices listing various stocks and their prices.

Notes: These are official... Daily High and Low reflect the previous day's trading... Dividend dates are shown for the next stock only...

OVER-THE-COUNTER

Monday national market, 4pm prices January 12

Table of Over-the-Counter prices listing various stocks and their prices.

AMEX COMPOSITE PRICES

4pm prices January 12

Table of AMEX Composite Prices listing various stocks and their prices.

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